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TRENDS IN THE WORLD ECONOMY

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.



## Part One

### TRENDS IN THE WORLD ECONOMY

#### I. THE INTERNATIONAL SETTING

Before examining the economic situation in Latin America in 1979, and in order to provide a global framework for the subsequent analysis, it is desirable to review briefly world economic trends during that year. The review will cover trends in economic growth, inflation, international trade and external financing in the industrialized countries, the centrally-planned economies and the oil-exporting and non-oil-exporting developing countries.

##### 1. Output

In recent years the world economy has undergone a slowdown in economic growth after the prolonged period of impressive expansion on which followed the Second World War. As may be seen from table 1, growth rates of world production since 1974 have been considerably lower than the average annual rate of 6.1% achieved in the period 1963-1973. This sluggish performance is obviously attributable in part to the economic dislocations, inflation and uncertainties generated by the dramatically higher energy costs caused by recent OPEC pricing policies. However, there also appear to be broader structural maladjustments which are contributing to the general malaise of the world economy.

Many of these structural difficulties are clearly manifest in the industrialized countries - traditionally the motor of world growth - where there were signs of lagging profits, sluggish fixed capital formation and growth in labour productivity, and excess capacity in key industrial sectors even before the advent of the higher petroleum prices fixed by OPEC.<sup>1/</sup> Indeed, in recent years a new school of economic thought has evolved which focuses on the "supply side" of the world economy. Thus, on the domestic front attention has been given to, among other things, investment and productivity and the implications of considerable changes in relative prices due to more costly energy; increasingly strict regulations for safety and environmental protection; reduced labour mobility; a form of industrial organization which facilitates the passing-on of costs through wage-price spirals, etc.

<sup>1/</sup> See the Bank for International Settlements (BIS) Annual Report, June 1978, p. 8. The BIS, incidentally, has gone so far as to suggest that the world economy may have entered into a Kondratieff-type slowdown after a prolonged upward cycle of economic activity.

/Moreover, these

Moreover, these structural factors appear to have made the industrialized economies more sensitive to inflationary pressures at all levels of economic stimulus. Meanwhile, on the international front, concern has been expressed about rigidities in the supply of major raw materials which seem likely to cause spiralling commodity prices whenever there is any significant recovery of activity in the OECD area.

The structural nature of the current economic slowdown is further suggested by the fact that the economies of the industrialized countries have found themselves under continual inflationary pressures despite relatively low rates of economic growth, relatively high rates of unemployment (see tables 2 and 3), and a respite from further real increases in the cost of petroleum in the period 1975-1978.<sup>2/</sup> These pressures, in their turn, have led to cautious economic management and a general reluctance to reflate economies to "normal" levels of activity.

By their very nature these problems on the supply side are not quickly surmounted. Moreover, some of the structural phenomena are associated with the quest for a higher quality of life - this is most evident in the case of safety and environmental protection - and therefore social aspects may very well be considered more important than some of the apparent private costs associated with the economic slowdown. All this means that the sluggish growth seen in the OECD area may not be merely a temporary condition.

In 1979 it appears that the economic growth rate of the industrialized economies slipped below the 3.9% recorded in 1978 (see table 2). Much of this slippage can be attributed to the "shock" and loss of purchasing power derived from another major round of petroleum price rises. Reflecting tight supply conditions due to production outbacks in Iran and Nigeria, coupled with a rush by consumers to build up oil stocks, the nominal official price of petroleum nearly doubled over the 12-month period ending

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<sup>2/</sup> In constant 1978 dollars Saudi Arabian oil fell from a peak price of 14.49 dollars per barrel in 1974 to 12.70 dollars per barrel in 1978. See World Bank, Commodity trade and price trends, August 1979, p. 94

in December 1979,<sup>3/</sup> while prices in spot markets, to which many countries had to have recourse, rose even more dramatically.<sup>4/</sup>

A further depressant on economic growth in the centre was the sharp rise in the domestic interest rates of many countries, especially the United States, Germany and the United Kingdom (see table 4), as a result of efforts by monetary authorities to contain growing inflationary pressures through tighter control over monetary expansion. Interest rate policies were also undoubtedly a desire to support domestic currencies influenced by and/or "defensive instincts" aimed at forestalling the flight of capital to higher interest rate areas. In general, tight monetary policy was complemented by growing firmness in fiscal matters: indeed, preliminary estimates by the OECD suggest that the impact of public expenditure on GNP growth in 1979 was at one of its lowest levels in recent history.

Among the large economies, the biggest slowdowns in growth were observed in the United States and the United Kingdom. The relatively strong level of economic activity in the United States finally showed signs of tapering off in late 1979 despite very buoyant consumer expenditures. Unlike 1974/1975, when the pace of growth in most major countries was "synchronized" and national economies entered into recession together, in 1979 two major economies - Germany and Japan - contradicted trends in the United States and the United Kingdom by accelerating their economic growth. In both countries, private non-residential investment, especially in equipment, has been an important source of economic stimulus. Exports also have stimulated growth.

In the centrally planned economies, estimates of the growth of the material product (which excludes services) indicate a falling off in the rate of economic expansion for the second consecutive year. The growth of the material product in 1978 is estimated to have been only 4% - the lowest rate realized since the end of World War II - and in 1979 the figure

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<sup>3/</sup> Prices of Saudi Arabian Light-34 crude, as quoted in Petroleum Intelligence Weekly, Special Supplement of 3 March 1980, p. 3.

<sup>4/</sup> For instance, while the official price of Saudi Arabian Light crude was 24 dollars in November 1979, prices on spot markets were as high as 40 dollars. See Petroleum Intelligence Weekly, 3 December 1979, p. 7.

/was somewhat

was somewhat below this mark. A primary factor in this sluggish growth has been the poor performance of agriculture, but the pace of industrial expansion also has waned with respect to previous years.<sup>5/</sup>

## 2. Inflation

One of the main manifestations of the malaise of the world economy has been the unusually high rates of inflation recorded in most industrialized countries, and this problem appears to have got worse in 1979.

Thus, inflation in the industrialized areas rose to an estimated 8.5% during the year, thereby reversing a trend which witnessed some modest improvement in the inflationary picture in 1976-1978 (see table 5). Rising oil prices, coupled with the upward movement of some non-oil commodity prices, were the main causes of this new inflationary spiral, to which higher unit labour costs and the ability of firms to pass the effects of more expensive inputs on to their consumers also contributed.

Of course, there was considerable variation between the rates of inflation of the different countries. Among the major industrialized nations the United Kingdom and the United States displayed the largest absolute deterioration in price stability with respect to 1978, and the United States reached its highest level of inflation in the post World War II period. On the other side of the spectrum Germany and Japan showed the least intensive inflationary situations. Regardless of the performance of individual countries, however, there was an almost universal preoccupation with price movements, and throughout the OECD area governments were introducing measures to restrain monetary and fiscal pressures on domestic price levels and structures.

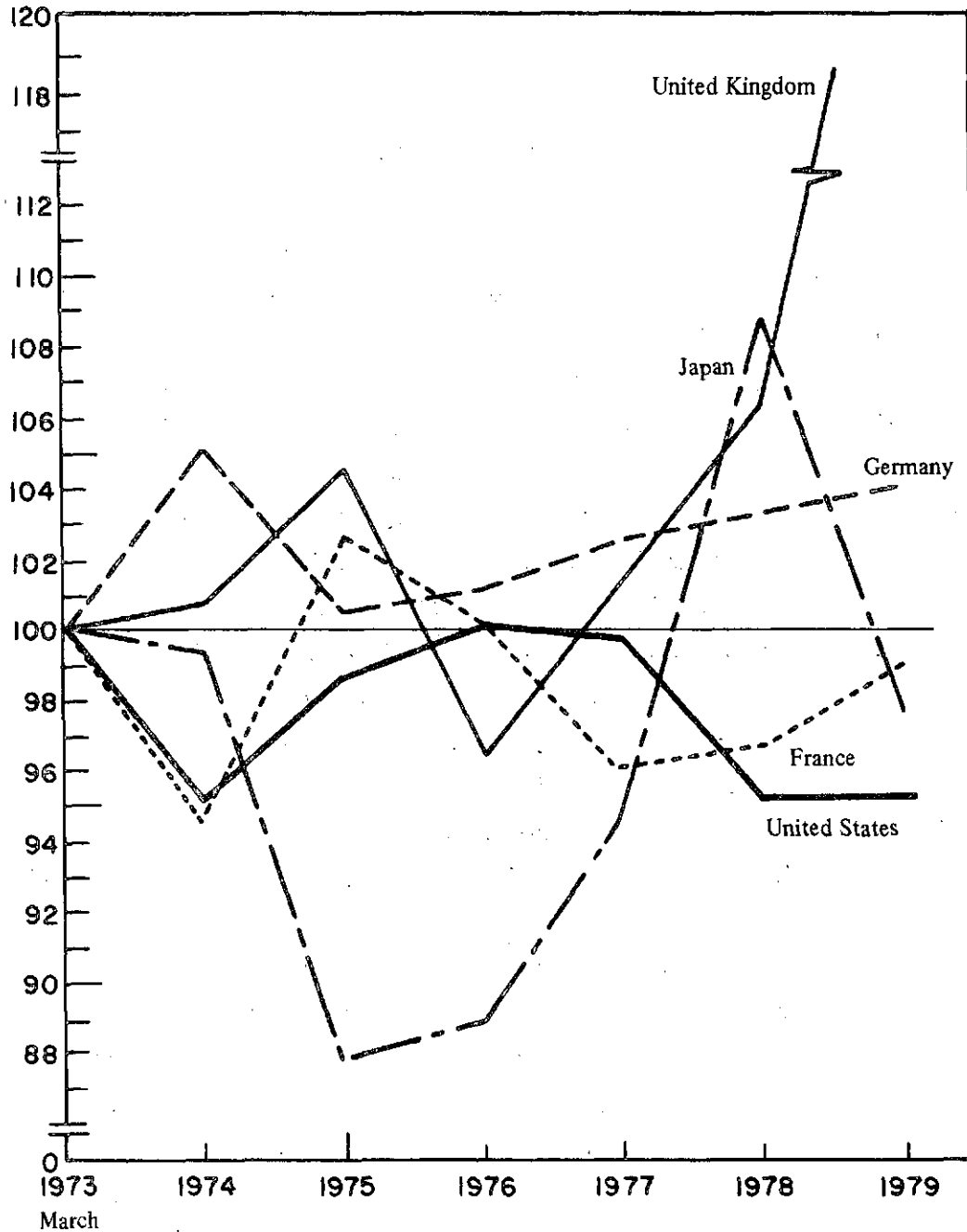
Exchange rate movements also undoubtedly influenced the inflationary trends in the industrialized countries. As may be seen from figure 1, Germany's price performance has been aided by an increasingly strong Deutsche Mark, and until 1979 currency strength was also a favourable factor in price behaviour in Japan. The United States currency, on the other hand, has seriously lost position vis-à-vis the currencies of America's main trading partners, and this has undoubtedly contributed to inflationary pressures.

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<sup>5/</sup> See GATT, Press Release No. 1256, February 1980.

Figure 1  
REAL RELATIVE VALUE OF CURRENCIES OF SELECTED  
INDUSTRIALIZED COUNTRIES<sup>a</sup>

(Index: March 1973 = 100)



Source: Morgan Guaranty Trust Co., *World Financial Markets*, December 1978, October 1979, January 1980.

<sup>a</sup>Measure of currency's trade weighted average appreciation or depreciation *vis-à-vis* currencies of 15 other major countries adjusted for inflation differentials which are measured by wholesale prices of non-food manufacturers.

The pound sterling for its part, has shown remarkable strength since 1976, and this has presumably assuaged the otherwise virulent domestic inflation.

### 3. Trade

In 1979 the value of world trade increased by some 25%, compared with 16% in 1978 and an annual average of 14% for the period 1964-1973. More than two-thirds of the increase in world trade was due to rising world prices, as the volume of trade rose only 7%, i.e., much less than its value. This rise in volume was less than the historical rate of 8.7% recorded in 1964-1973, but substantially higher than the increases realized in 1977 and 1978 (see table 6). Trade in 1979 was especially stimulated by the shortfalls in agricultural production in the centrally planned economies and some developing countries, which made necessary cross-border compensatory purchases of grains, food and related items.

When trade flows are viewed from the standpoint of country groups (see table 7), it is seen that there was considerable deterioration in the trading position of the industrialized countries, a dramatic improvement in the position of the oil exporters, and only a slight erosion of the trade accounts of the non-oil-exporting developing countries.<sup>6/</sup>

In 1979 the trade deficit of the OECD area more than doubled, reflecting the fact that the value of imports rose by 27% while that of exports grew by only 23%. In the years immediately following the 1973/1974 oil price increases, the industrialized countries rapidly increased the volume of their exports to the oil-producing countries and thus bolstered their trade position, but the rate of growth of these exports slipped from 15% in 1977 to only 4.5% in 1978, and it is estimated that the volume actually fell by some 11% in 1979. A slowdown was also apparent in 1979 in the growth of the volume of their exports to the non-oil-exporting developing countries, which have also been an important market for OECD products. The only area where there was an increased volume of exports was within the OECD itself.

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<sup>6/</sup> No data are available for the centrally planned economies.



As for the import volume of the OECD countries, this rose by nearly 8% compared with 5% in 1977, stimulated by the fact that many countries vigorously stockpiled raw materials. Imports from the oil-producing countries increased by about 2%, while those from the non-oil-exporting developing countries rose by some 8.5%.

The faster growth in the volume of imports as compared to exports was aggravated by a roughly 4% deterioration in the terms of trade, which basically reflects the very sharp rises in petroleum prices and, to a lesser extent, improvements in the prices of some primary commodities with respect to 1978.

The stronger trade position of the oil exporters was, of course, fundamentally due to the notable rise in petroleum prices in 1979, but the volume of their exports also grew slightly with respect to 1978. Another factor behind the oil exporters trade surplus in 1979 was the aforementioned decline in import volume, which was only partially offset by higher unit prices. Imports have recently been restrained by some oil exporters because of growing budgetary constraints that were relieved only during the course of 1979. Moreover, some countries have restrained expenditures and imports because of concern over the potentially socially destabilizing effects of very rapid and uncontrolled growth. Finally, social disruption in Iran in 1979 hampered sales to this market and was a major factor in the absolute fall in the volume of imports by the oil-producing countries that year.

In spite of the increase in petroleum prices, the non-oil-exporting developing countries showed only a modest deterioration in their trade position due to strong export growth (see table 7). Volume, as in the past couple of years, continued to increase strongly, by an estimated 8%, and unit prices were aided by a sharp recovery in the quotations for non-oil primary commodities. The volume of their imports grew at a slightly slower pace than that of exports, but unit prices rose faster than those for exports, causing an estimated 1-2% decline in the terms of trade with respect to 1978 (see table 8).

/It is

It is important to stress that the non-oil-exporting developing countries have had to meet a formidable challenge in order to keep their trade accounts in reasonable shape. Unlike the OECD countries, they are not in a good position (except perhaps in the case of semi-industrialized countries such as Brazil, Korea, Taiwan, etc.), to capture a large share of OPEC trade, where manufactures play an important role. Their traditional markets are in the OECD countries, but these have experienced relatively slow growth. Nevertheless, export growth for the developing countries as a whole has been surprisingly strong due to gains in both volume and prices. The buoyant volume is accounted for in part by the intensive export campaigns carried on by many countries, which have included more South-South trade. Speculative stockbuilding by the industrialized countries has also periodically aided certain exporters of ferrous and non-ferrous metals. Prices, for their part, have risen in response to general world inflation, periodic speculative demand, and production shortfalls in certain commodities, the most notable being coffee. Price movements, however, while strong, have generally not kept up with the increasing costs of manufactured products from the industrialized countries (see table 8).

#### 4. The current account of the balance of payments

In 1978, for the first time since 1973, the current account balance of the world economy approached levels close to the traditional relationships between industrialized and developing countries, thus reflecting an adjustment that was much more rapid than many had envisioned at the time of the 1973/1974 oil crisis. As may be seen from table 9, by 1978 the industrialized countries had returned to a sizeable surplus position, the oil exporters' surplus position had virtually evaporated, and the non-oil-exporting developing countries maintained their customary deficit, although in nominal terms this remained considerably higher than its pre-1974 level. Thus, roughly speaking the world economy appeared to be well on the road to completing the so-called adjustment of external positions following the oil price shocks of 1973/1974. However, further progress was not to be achieved, as the renewed round of oil price increases in 1979 was the main cause of another major upheaval of current account positions.

/In 1979,

In 1979, the industrialized countries saw their joint current account position deteriorate to a deficit of roughly 9 billion dollars: a slump of 37 billion dollars with respect to 1978. The major industrialized countries which experienced the strongest deterioration of their current account positions were Japan, Germany and the United Kingdom, all of which went from surplus to deficit positions. Japan slipped from a surplus of 17 billion dollars in 1978 to a deficit of nearly 8 billion dollars in 1979; the shift for Germany over the same period was from a 9 billion dollar surplus to a 1 billion dollar deficit, and that for the United Kingdom was from a 2 billion dollar surplus to a 6 billion dollar deficit. On the other hand, the United States current account position improved, with the deficit falling from 14 billion dollars to 3 billion between 1978 and 1979.<sup>7/</sup>

Most of the drain of income from the industrialized countries went directly to the oil exporters, which experienced a tenfold rise in their surplus to 60 billion dollars - only slightly less than the figure recorded in 1974 (see table 9). In real terms, of course, the increase was less than in 1974, but nevertheless the magnitude of the shift in resource flows was very substantial, affecting in dramatic fashion not only world financing requirements but also expectations.

The oil producers' surplus also had its counterpart in a deterioration of the current accounts of the non-oil-exporting developing countries. However, unlike the industrialized countries which went from a large surplus to a modest deficit, the non-oil-exporting developing countries went from an already sizeable deficit of 31 billion dollars to a massive 50 billion dollar deficit (see table 9). Thus, the current account deficits of the countries of this group, which in 1976-1978 had been brought down to what were generally termed manageable levels, in 1979 were inflated to proportions that once again made them a source of preoccupation for the world community.

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<sup>7/</sup> Data in this paragraph are from OECD, Economic Outlook, No. 26, December 1979, p. 62.

At the root of this concern has been the fear that this time the oil producers' surplus will remain high and perhaps even grow larger, thus placing continued and severe pressure on the external positions of the world economy in general and the non-oil-exporting developing countries in particular.

It is true that the oil producers' surplus of 1974 was whittled down much faster than most had anticipated because of the surprising capacity of absorption displayed by many producers and because supply and demand conditions generated a temporary inability on the part of the oil cartel to cover inflation with compensatory adjustments in petroleum prices. But the post-1979 period could present new problems and new challenges. On the one hand, some are concerned that the absorptive capacity of many oil producers may not be as buoyant as after the last round of price hikes because, among other reasons, there seems to be a new awareness on the part of some producers of the apparent social and political disruption that can be experienced when there is a massive surge in expenditures for development. On the other hand, any desire on the part of major producers for a strategy that entails a slower, more deliberate pace of development will provide less incentive to bring petroleum out of the ground, and over the short to medium term this could give rise to further increases in oil prices. The picture is further clouded by the uncertainty over whether current account deficits in the non-oil-exporting developing countries of a magnitude similar to, or larger than, that of 1979 can continue to be financed.

#### 5. External finance

The very substantial rise observed in 1979 in the deficits of the industrialized countries and the non-oil-exporting developing countries is indeed dramatic, but represents the only logical response to the shock provided by higher oil prices. The alternative, involving policies designed to impose much greater restraint on the expansion of current account balances, implies high costs in terms of world economic activity. Moreover, for developing countries it would involve unacceptable setbacks to development and perhaps intensification of social and political unrest.

/Put in

Put in this perspective, the bloated current account deficits of 1979 can simply be viewed as an "escape valve" that permits the world economy to avoid much greater evils.

The other side of the coin with respect to the current account balances is the availability of external finance which make such deficits possible. Indeed, since the oil crisis of 1974 the issue of finance has been and continues to be the main factor in securing relatively smooth adjustment in the world economy. External financing has enabled current account deficits in non-oil developing countries to be offset gradually, thus helping governments to avoid radical and disruptive adjustments; indeed, the maintenance of reasonable (although not wholly satisfactory) growth rates in developing areas has been closely linked to the possibility for finance and debt accumulation. If in the future adequate finance were not available, it would not be possible to maintain the non-oil developing countries' current deficits, and this in turn could have serious implications for growth in these countries as well as for the industrialized countries that have benefited from the stimulus provided by the import demand of the Third World.

In recent years international commercial banks have been financing about one-third of the current account deficit of the non-oil-exporting developing countries, compared with only 19% at the beginning of the decade.<sup>8/</sup> For middle-income countries like those of Latin America, however, the reliance on commercial bank debt has been much more pronounced, with around 50% of the deficit being covered by banks (the corresponding figure was only 12% in 1966-1970).<sup>9/</sup> Indeed, table 10 shows that Latin America has accounted roughly for two-thirds of the gross obligations of the non-oil-exporting developing countries to the banks, while on a net basis Latin America accounts for virtually all of that debt.

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<sup>8/</sup> See P. Watson, Debt and Developing Countries: New Problems and New Actors, Washington, D.C., Overseas Development Council, Development Paper No. 26, 1978, pp. 12-13.

<sup>9/</sup> See C. Massad, "Latin America and the International Monetary System: Some Comments and Suggestions", CEPAL Review, No. 10, April 1980.

Although much of Latin America's indebtedness to the banks relates to two superborrowers, Brazil and Mexico, other countries such as Peru, Argentina, Colombia, Jamaica, Panama, etc., have also accumulated important debts with these institutions.

Table 11 shows the evolution of borrowing by developing and industrialized countries in the Eurocurrency market. It can be seen that the non-oil-exporting developing countries have accounted for roughly one-third of the total publicized Eurocredits from private commercial banks. The rate of growth of credit has been quite spectacular, with the value of loans almost doubling between 1974 and 1977 and then roughly doubling again between 1977 and 1978/1979. Borrowing by oil producers, which until recently were encountering what for them constituted tight budgetary conditions, has also risen sharply recently. The growth of lending to industrialized countries had been much less spectacular, partly because this latter group has had considerable recourse to private bond markets - a source of finance that the non-oil-exporting developing countries have had only modest success in tapping (see table 12).

(a) Some factors underlying borrowing and lending

The notable rise in borrowing by the non-oil-exporting developing countries in 1978-1979 was due to a number of factors.

On the supply side, banks were relatively cautious lenders to LDCs in 1975-1977 because of a generally restrictive environment created by concern over a series of major bank failures in the second half of 1974 (related to bad foreign exchange management), as well as by fear for the rising debt burden of many developing countries and the appearance of debt crises for a number of important borrowers. However, doubts over market stability and general developing country creditworthiness began to fade in late 1977 and the banks, under the pressure of rising liquidity, showed a much greater disposition to lend to developing countries. Moreover, competition among the banks for clients intensified with the re-emergence of Japanese institutions (which had virtually withdrawn from the market in late 1974) as major lenders and the more aggressive attitude on foreign lending assumed by the German banks. The more buoyant attitude of German

/and Japanese

and Japanese lenders was influenced by the strong surplus positions of their respective countries' balance of payments, and helped to compensate for the more restrictive posture of United States banks, which had been extending well over 50% of all loans to developing countries but were now nearing the limits of their exposure - both those that are self-imposed and those dictated by national regulatory authorities.

Meanwhile, on the demand side, the non-oil developing countries - faced as they were with increasing external pressures in 1978 and again in 1979 - were in need of finance to cover their expanding current account deficit. Their borrowing was also influenced by a desire to accumulate reserves: a phenomenon that was particularly important in 1978 (private creditors generally look with favour on large reserve accumulations by borrowers).

One reason for the greater interest in borrowing and reserve accumulation was that banks were quite keen to lend and as a result the terms of loans had improved markedly over what was offered in the restrictive days of 1975-1977. As may be seen from table 13 and 14, there was a remarkable lowering of the average spread over LIBOR on loans to developing countries in 1978-1979, with over 70% of the loans carrying a spread of 1% or less by the second quarter of 1979, in contrast with the total absence of loans with such a low spread in 1975 and 1976. As for maturities, these lengthened dramatically, as may be seen from the fact that by mid-1979 nearly 70% of all credit to developing countries carried maturities of between 7 and 10 years, compared to only between 3% and 9% of the credit extended in 1975-1977.

The easing of access to credit, as well as the more favourable terms, meant that lending conditions were similar to those available to developing countries in 1972-1974. This was undoubtedly a very positive development, because the sudden squeeze on credit in 1975 had caused a bunching of maturities that seriously complicated debt management for many countries; the more recent lowering of interest margins and the lengthening of maturities has helped to ease this situation somewhat.

(b) Some uncertainties

Despite the improved borrowing environment in 1979, it should be noted that - as mentioned earlier - the increased finance requirements of non-oil developing countries as a result of the much higher oil prices have generated concern about the possibility of continuing to finance these countries' current deficits.

One of the major reasons underlying this concern is the fact that banks must once again assume the main role in recycling surplus receipts to deficit countries, and this must be done under conditions in which many borrowers are already very much weighed down by the volume of debt they have contracted on commercial terms. International banks, of course, operate under criteria of private and individual risk and rates of return, which may restrict their ability to respond in ways which are fully consonant with the broader social requirements of a smoothly functioning world economy.

As one important international commercial bank has pointed out with regard to the ability of banks to meet once again the escalating requirements of balance-of-payments finance: "There is no room for complacency in this regard just because the banks handled the job so well during the 1970s".<sup>10/</sup> This institution points out two major obstacles now confronting commercial banks. The first is a relatively limited capital base, as many United States banks, as well as Japanese and European institutions, have seen the expansion of their assets far outstrip the growth of equity capital, causing disturbing declines in capital/asset ratios. A second major obstacle to the banks is the concentration of portfolio risk. As noted earlier, most of the bank lending has been concentrated in middle-income developing countries, and within this group, a handful of borrowers have captured a high percentage of total lending. Thus the self-imposed requirements of risk diversification, and in some cases officially established limits on exposure, may inhibit any massive expansion of commercial bank lending.

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<sup>10/</sup> Morgan Guaranty Trust Co., World Financial Markets, December 1979, p. 6.



Aside from the commercial banks' concern about the requirements for finance, there is a growing body of opinion in development circles that the increasing reliance of developing countries on bank credit may have gone beyond desirable levels and that therefore new approaches are called for to tackle the foreign resource requirements of these countries.

The World Bank, in its 1979 World Development Report, has pointed out that the growing role of private banks in finance has caused a marked deterioration of the maturity structure of developing country debt. Thus, 50% of the developing countries' total medium and long-term debt outstanding at the end of 1977 was scheduled to be repaid in 5 years, while the proportion of private debt that must be repaid over the same period was 70%.<sup>11/</sup> As the bank observes, the surge of payments brought on by shorter maturities generates ever larger amounts of debts that private creditors must consider rolling over, with an ever greater danger that any "initial changes impairing a country's debt situation could trigger loss of confidence and a debt crisis".<sup>12/</sup>

The recently formulated report of the Brandt Commission goes further in raising concern about the high profile of banks in development finance. It points out that one of the major drawbacks of private loans is that "debtor economies and the entire international credit structure are very vulnerable to any disruptions in the flows of capital, which can be caused by a greater demand for credit in the North, by a borrowing country being regarded as less creditworthy, by insufficient bank capital, or by actions of regulatory authorities".<sup>13/</sup> In the Commission's view, the heart of the problem with regard to developing countries' heavy reliance on commercial debt is that "a very large proportion of funds are lent on terms which are onerous for borrowers from the point of view of both the repayment capacity of the projects they finance and the time debtor countries need to correct structural imbalances in their external accounts".<sup>14/</sup>

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<sup>11/</sup> World Bank, World Development Report, 1979, Oxford, Oxford University Press, 1979, p. 30.

<sup>12/</sup> Ibid.

<sup>13/</sup> Independent Commission on International Development Issues, North-South: A programme for survival, London, Pan Books, 1980, p. 223.

<sup>14/</sup> Ibid.

Finally, the Development Assistance Committee of the OECD has also recently urged that much more official finance should be made available, pointing to the fact that commercial bank resources have been "expensive, and maturities - though lengthened - are still too short to serve well either the long-term capital needs of developing countries for major industrial and infrastructural investments, or their need to effect medium-term balance-of-payments adjustments should their terms of trade deteriorate by reason of increases in the price of oil or other essential imports".<sup>15/</sup>

Thus, both the commercial banks and important development forums are concerned about the current nature of finance to developing countries. The major preoccupation of the latter group involves the stability of private credit flows, coupled with the relatively short maturities of such credit for development and its sometimes high costs. It may also be added that interest costs can be extremely variable (see table 15), thus adding another difficult dimension to debt management.

The evident difficulties in bank finance have given rise to a number of proposals for reform.

Some of the first initiatives have come from developing countries themselves. Thus, the problem of the short maturities associated with the current world financial system caused the governments of Mexico and Venezuela not long ago to make separate proposals regarding mechanisms to facilitate access by developing countries to long-term finance (see table 16). These proposals essentially envisaged more official intermediation of world savings, as funds raised through bond issues and official contributions would be administered by the World Bank for the purpose of providing massive transfers of resources for projects on terms that would be more compatible with the extended gestation period of development. Other proposals for large transfers have come from sources such as the OECD and members of the United States Congress. More recently, the Brandt Commission has supported massive official transfers to developing areas and has urged greater access to bond markets for developing countries.

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<sup>15/</sup> OECD, Development Co-operation: 1979 Review, Paris, 1979, p. 91.

It has also advocated a new development finance institution that could provide untied "programme" loans to developing countries as well as finance for South-South trade and minerals development.<sup>16/</sup> Furthermore, under pressure from developing countries for new and quicker forms of financial assistance, the World Bank too is now seriously considering a broader facility for "programme" lending to support structural adjustment over a medium- to long-term period.

Another institution which has been under increasing pressure to make better arrangements to accommodate developing countries' requirements for finance is the International Monetary Fund (IMF). To date, countries have avoided the IMF as long as possible because of what they consider to be the excessively harsh nature of the stabilization programmes that the Fund designs as a condition for its finance. Thus, countries have often preferred bank finance to the Fund and have turned to this latter institution only when economic conditions have deteriorated to such an extent that the banks have refused further financial support. The reluctance of countries to use the Fund is partly reflected in the fact that in 1979 the IMF was repaid more than it disbursed to member countries (through its General Resources Account) for balance-of-payments support.<sup>17/</sup> To remedy this problem, many suggestions for the reform of the conditions imposed have been placed before the IMF, the most comprehensive perhaps being the recently prepared UNDP/UNCTAD Report.<sup>18/</sup> In 1979 the IMF made some effort to adjust its policies through the introduction of new guidelines regarding the conditions it imposes. Among the measures adopted were a commitment to stabilization programmes that are longer than the traditional one-year period and a formal commitment by the Fund to "pay due regard to the domestic social and political objectives, the economic priorities and the circumstances of members, including the causes of their balance of payments problems".<sup>19/</sup> Thus, the Fund seems to

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<sup>16/</sup> Independent Commission ..., op. cit., p. 252.

<sup>17/</sup> See IMF Survey, January 21, 1980.

<sup>18/</sup> See United Nations, The balance-of-payments adjustment process in developing countries: Report to the Group of Twenty-four, New York, N.Y., UNDP/UNCTAD, Project INT/75/015, 1979.

<sup>19/</sup> See IMF Survey, March 19, 1979.

be moving, albeit slowly, in the direction of making itself a more attractive source of finance for developing economies.

(c) Other issues

Before closing this review of the world economy, there are a further three contemporary issues related to finance that should be raised.

The first relates to the bargaining capacity of developing countries vis-à-vis the international banking community. While there are encouraging signs that the long-needed boost in the official recycling of world surpluses may soon come into effect, at least for the immediate future private commercial banks are likely to remain the principal agents of finance for middle-income developing countries. Their apparent increasing reluctance to play this role is more likely to reflect itself in a hardening of terms than in a sharp curtailment of loan volume, since the latter would only jeopardize the security of bank assets. Thus, with bankers maintaining a very high profile in finance, there is a strong argument for seeking measures to enhance borrowing countries' access to information about commercial banks, both at the macro level as well as in respect of individual institutions. While banks are demanding and gaining ever more access to official information about developing countries, there is an unfortunate dearth of published data on the banks, making it difficult for borrowers (especially inexperienced ones) to map out ex-ante borrowing strategies and to decide on suitable relationships with individual commercial lenders. This deficiency becomes all the more serious when one takes into account that international banks are not homogeneous and can have very distinct modes of behaviour.<sup>20/</sup> Thus, it would appear that a more concerted effort should be made to develop multilateral mechanisms for the detailed study of, and dissemination of information on, international banks.<sup>21/</sup>

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<sup>20/</sup> This is evident from the study by R. Devlin Transnational Banks and Their Penetration of the External Finance of the Third World: The Experience of Peru, E/CEPAL/L.211, Santiago, Chile, 1979. The UN Centre on Transnational Corporations (UNCTC) has recently published a report on transnational banks that similarly show very distinct lending strategies among the banks. See UNCTC, Transnational Banks: Operations Strategies and Their Effects on Developing Countries, N.Y., ST/CTC/16, 1980.

<sup>21/</sup> For some suggestions in this regard see the CEPAL study cited in footnote 20.

A second issue related to finance that is becoming of increasing importance for the smooth-running transfer of resources and the adjustment process is the need for more adequate formal machinery for debt rescheduling and renegotiation. Debt problems are becoming increasingly frequent among developing countries, but to date countries in debt crises have unfortunately faced an ad hoc renegotiating system that offers few guidelines on behaviour for either borrower or lender. Governments usually confront "problem" borrowers in the multilateral negotiations of the so-called Paris Club, while commercial banks usually form ad hoc committees that represent commercial creditors and generally result in some form of refinance. The lack of general principles for debt renegotiation has meant that there is often very different treatment of borrowers that is not wholly explained by individual repayment capacities and development requirements. This has made renegotiation a rather traumatic and unpredictable experience for developing countries. Moreover, borrowers maintain that the creditors' time horizon is much too short, creating repayment periods which are excessively tight and fail to take into account the special circumstance of the country. Indeed, the World Bank, in its 1979 World Development Report, has pointed to this latter problem and has made some suggestions. It has been proposed, for example, that the creditors grouped together in the Paris Club should negotiate repayment according to the economic and development needs of the borrower over some medium-term period, to include, where appropriate, concessional terms of repayment so as to provide real transfers through debt relief. Contractual clauses could allow for adjustment of the terms of repayment should the evolution of the borrower's economy differ substantially from that of the medium-term projections. The World Bank also emphasizes that commercial banks must somehow better co-ordinate their negotiations with those of the Paris Club so as to avoid the confusion, long delays and tensions that have characterized commercial bank refinance negotiations.<sup>22/</sup>

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<sup>22/</sup> See World Bank (1979), op.cit., p. 33.

The third and last issue related to finance reflects the fact that debt cannot be viewed in isolation from trade. Developing countries need access to the markets of the industrialized countries in order to generate the exports to repay their external obligations.<sup>23/</sup> Thus, protectionism in the industrialized countries is self-defeating, generating a greater need for debt while at the same time reducing the means for repayment of that debt. Clearly, if countries are to maintain their repayment capacity, protectionism must be avoided. Indeed, liberalization of markets would seem to be a useful way to relieve the burden imposed by the developing countries' external obligations and at the same time give industrialized countries opportunities to lower their domestic rates of inflation through access to less expensive Third World goods.

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<sup>23/</sup> The importance of the relationship between debt servicing capacity and exports is clearly presented in a recent study by Pierre Dhonte entitled Clockwork Debt (Lexington, Mass., Lexington Books, 1979).

## II. AN OVERVIEW

In a world economic situation characterized, as has been seen, by a slackening of economic growth both in the industrialized countries and in the centrally-planned economies and the chief oil-exporting countries, by the accentuation of world inflation, by fresh steep rises in oil prices, and by significant changes in international trade flows and financing, economic trends in Latin America were, broadly speaking, relatively favourable. While in the course of the year inflation worsened in many countries of the region, and although the current account deficit of Latin America as a whole increased considerably, in 1979 the growth rate of the total product of the region also rose sharply, and the value and volume of Latin American exports continued to grow at surprisingly high rates.

Thus, after four years of mediocre economic growth during which the gross domestic product grew by an average of barely 4.3% annually, in 1979 it rose by 6.5%. This rate - almost doubled the economic growth rate of the group of OECD countries - also meant that for the first time since the international crisis of the mid-1970s the per capita product rose by 4%, a rate approaching those recorded in the region during the first half of the decade, when the Latin American economy grew exceptionally rapidly and steadily (see table 17).

The expansion of production in the region in 1979 was accompanied by a particularly significant growth of trade and financial flows with the rest of the world. Despite the lower growth of the central economies in 1979 and the resurgence of their protectionist practices, as well as the lower level of imports by the OPEC countries, the value of Latin American exports of goods rose by over 33%, well above the growth rate of world exports (25%). As in the three previous years, during which exports also grew at quite rapid rates, although well below that of 1979, the rise in sales was largely due to greater volume. The quantum of exports rose by nearly 11% for the region as a whole, and at an even higher rate for the group of the non-oil-exporting countries.

/This vigorous

This vigorous growth was further strengthened by the substantial rise of over 20% in the unit value of exports, as a result of better world prices for oil, copper, wood, lead, nickel, meat, sugar and many other commodities. Consequently, and despite the equally pronounced rise (15%) in the unit value of imports, the terms of trade rose by nearly 5%, thus partially offsetting the sharp drop in the previous year.

During 1979 the value of imports also rose sharply (26%). Nevertheless, while this growth was much greater than in any of the four previous years, it was considerably less than that of exports and consequently the deficit in trade in goods and services shrank from US\$ 5.9 billion in 1978 to US\$ 4 billion in 1979 for the region as a whole.

However, as a result of a new large rise of over US\$ 4 billion in net payments of profits and interest on foreign capital, the current account deficit once again rose in 1979. It amounted to an unprecedented US\$ 18.3 billion, well above the US\$ 16.3 billion in the previous year and the 14.2 billion of 1975, when the previous international recession came to an end.

Nevertheless, as in previous years the current account deficit was to some extent the result of the abundant inflow of capital to the region. During 1979 the net inflow of non-compensatory capital reached the record level of nearly US\$ 25.5 billion, which made it possible not only to finance the deficit on current account but also to increase net international reserves by over US\$ 7.0 billion (see table 17).



### III. ECONOMIC GROWTH

#### 1. The growth rate

As mentioned earlier, in 1979 the economic growth rate of Latin America rose sharply. The gross domestic product of the region grew by 6.5%, double the scant growth recorded in 1975 at the end of the international crisis, and also well above the stable but mediocre growth rate of the economy in the following three years. Furthermore, since in 1979 the terms of trade improved, the rise in gross income was slightly higher than the growth of the product.

Unlike what happened in previous years, the faster growth of the product in 1979 was primarily the result of the greater dynamism of most of the larger economies or countries with the highest per capita income in the region. Thus, the domestic product rose by about 8.5% in Argentina, Chile and Uruguay, 8% in Mexico and 6.4% in Brazil. For the third consecutive year, Paraguay was the country whose economy grew fastest (9%) (see table 18).

On the other hand, the growth of the product varied between a little under 4% and a little over 5% in the Andean Pact economies - with the exception of Bolivia, where total economic growth barely amounted to 1.5% - and the Central American countries, with the exception of El Salvador and Nicaragua, where the product dropped in absolute terms primarily as a result of the socio-political events which disrupted normal production activity. Finally, growth was very weak in most of the Caribbean economies. In the Dominican Republic and Cuba growth rates were 3.6 and 2.4% respectively, while in Haiti the product rose by less than 2%, and in Jamaica it apparently declined for the seventh consecutive year (see table 18).

Despite their striking similarity, the causes and significance of the high growth rates of the total product in the countries of the extreme south of the region were very different. Thus, in Argentina, where economic activity increased more rapidly in 1979 than in any of the ten previous years, the growth of the product largely represented an upturn after the decline in 1978 as a result of which, following the drops in production in 1975 and 1976, the per capita product in 1978 was scarcely above the level achieved 5 years earlier.

The situation was similar, although more favourable, in Chile. The sharp growth of the product in 1979 meant that for the second consecutive year the economy enjoyed genuine growth, after recovering in 1977 the level of activity achieved in 1974, which had dropped sharply in the following year. Nevertheless, due to the growth of the population and the slow and uneven growth of the economy in 1972-1976, the per capita product in 1979 was only slightly (4%) above the maximum level achieved in 1971.

/The significance

The significance of the 8.4% growth in the total product of Uruguay was quite different. The expansion in 1979 represented a sharp accentuation of the moderate but steady growth of the Uruguayan economy since 1975, following 20 years of virtual stagnation.<sup>24/</sup> As a result of that growth, combined with a very weak demographic growth rate, the per capita product in 1979 was almost 22% above the 1974 level.

The continuity and, above all, the strength of the growth process were even more pronounced in Paraguay. Following an annual average rate of 6.4% in the period 1970-1976, and the exceptionally high rate of 11% in the next two years, total economic activity expanded by 9% in 1979, thus almost doubling the level of the beginning of the decade. As a result of this extraordinary growth, generated primarily by the construction of the huge Itaipú hydroelectricity dam and the strong growth and diversification of the agricultural sector, and despite the rapid growth of the population, the per capita product rose by 23% over the last three years, and in 1979 was 50% above the 1970 figure (see table 19).

During 1979 the growth rates of Brazil and Mexico, by far the largest economies of the region, also rose.<sup>25/</sup> The greater dynamism was particularly pronounced in Mexico, where the product rose by 8% following a 7% rise in 1978, thus ending the situation of stagnation which had prevailed in 1976-1977. In the consolidation of this new stage of growth of the Mexican economy, a major role was played by the petroleum industry, which grew at a rate of about 15% for the third consecutive year, while oil exports more than doubled in 1979, generating more than 40% of foreign exchange earnings from exports of goods.

On the other hand, the considerable rise in world oil prices hampered the growth of the Brazilian economy, which in 1979 had to devote nearly 50% more resources than in 1978 to imports of fuels and lubricants: these accounted for 37% of the total value of imports of goods. Nevertheless, and despite

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<sup>24/</sup> A telling sign of this extremely unfavourable situation is that the per capita product in 1975 was the same as the average for the four-year period 1954-1957.

<sup>25/</sup> In 1979, these two countries accounted for one-third and one-quarter of the total product of Latin America, respectively.

the restrictive economic policy applied in the first half of the year, the product grew by 6.4%. This rate was slightly above that of 1978, and the same as the average for the period 1975-1977, but well below the extraordinarily high annual rate of 11.5% achieved during the first half of the decade, when the stage of strong, sustained growth begun by the Brazilian economy in 1968 reached a peak.

The rapid growth rate achieved in most of the larger Latin American economies and countries with higher per capita income levels naturally meant that in most of the other countries the product rose at a rate below the regional average.

Of the thirteen economies in this group, Colombia and Ecuador had the highest growth rates; their gross domestic product increased by slightly over 5%.

In Colombia, the growth of the economy was much smaller than in 1978, when it had reached the record level of nearly 9%, but above the stable, moderate rate for the period 1975-1977. The lower growth rate recorded in 1979 was the result of more moderate growth in most production sectors, partly stemming from the restrictive monetary and public investment policies applied by the Government in order to combat inflation; but the decisive factor was the smaller growth of the agricultural sector. This sector, which still generates over one-quarter of the total product of Colombia, having enjoyed an exceptionally high rate of 9% in 1978, grew by less than 5% in 1979, primarily as a result of the much smaller relative growth of coffee production.

The growth of economic activity was also relatively satisfactory in Ecuador, where the domestic product rose by 5.4% for the second consecutive year, after having grown strongly and steadily over the eight previous years, during which it expanded by almost 83%. The slower growth of production in 1979 occurred despite the appreciable improvement in the terms of trade and the 40% rise in the value of exports, primarily because of the doubling of oil prices. However, the favourable effects of the higher price of oil, which in 1979 accounted for nearly 50% of earnings from exports of goods, were partially wiped out by the disappointing results achieved in agriculture, which was hit by drought for the third consecutive year, and in construction, where growth rates dropped sharply.

/As in

As in Ecuador, the new sharp rises in world oil prices greatly benefited Venezuela, the value of whose exports rose by nearly 52%, while the terms of trade improved by over 36%, thus rising by nearly 260% in the course of the decade. Despite these favourable factors, the growth rate of the product declined in 1979 for the third consecutive year, and barely exceeded 4%. In contrast with earlier years, this moderate growth was basically generated by the expansion of the petroleum and mining sectors, both of which are fundamentally linked with exports and both sectors where production had declined systematically since 1974. On the other hand, there was a sharp drop in the growth rate of sectors oriented towards the satisfaction of domestic demand, such as manufacturing industry and construction, which had grown strongly and steadily until 1977-1978, but were affected in 1979 by the restrictive fiscal and monetary policy adopted in order to bring inflation under control.

The exceptional rise of nearly 80% in the value of exports, fundamentally resulting from much larger sales of oil, copper and manufactures, accounted for the upturn in economic activity in Peru. Following very low growth rates in 1975 and 1976, and slight declines in the following two years, the domestic product grew by 84% in 1979. Nevertheless, as a result of rapid population growth rates and the virtual stagnation of global production in the previous three years, the per capita product in 1979 was still 7% below the 1975 figure.

In Central America, the economic growth rate dropped appreciably. Nevertheless, Guatemala, Honduras and to a lesser extent Costa Rica managed to increase global production at relatively satisfactory rates ranging from 5% to a little over 4%, while the growth rate of Panama rose from a little under 4% in 1978 to nearly 5% in 1979. However, due to the steady decline between 1974 and 1976, the per capita product of Panama in 1979 was still below the level achieved in 1973.

Although the loss of dynamism of the Central American economies was to some extent the result of economic policy decisions or natural circumstances which affected them all very differently, it also reflected the impact of a number of common external factors. Chief among these was the much higher

/cost of

cost of imports in 1979, as a result of the sharp rises in world fuel prices, the accentuation of inflation in the industrialized economies, and the uncertainty stemming from the political upheavals which affected a large number of countries of the subregion, and particularly El Salvador and Nicaragua.

In the former, political and social unrest caused the loss of many lives, the destruction of some installations and crops, work stoppages, collective disorders and two changes of government during the year, which together resulted in a 3% drop in the total product and much larger declines in commerce, industry and construction.

In Nicaragua, the social disturbances already clearly latent in 1978 led to a bloody civil war in 1979, and a radical change of government in July. As the war extended to almost all regions of the country during the first half of the year, economic activity was progressively paralyzed, the area sown to crops declined, stocks of imported raw materials and staple foods were virtually exhausted, industrial installations, plant and equipment, and means of transport suffered considerable destruction and damage, there was a heavy outflow of capital and some 35,000 people were killed. In the circumstances, the gross domestic product which had already fallen by 7% in 1978 plunged by 25% in 1979.

The growth rate of the Cuban economy declined in 1979. After rising by over 8% in 1978, the material product <sup>26/</sup> grew by only 2.4% in 1979, the smallest increase in the last five years. The factors adversely affecting the growth rate included tropical storm Frederick, which caused flooding in both rural and urban areas as well as serious damage to infrastructure, housing and harvests, and the phytosanitary plague which hit the tobacco crop. The damage caused by these natural disasters was compounded by restrictions from the external sector, as a result of the lack of growth in the volume of exports of sugar and the increasing burden of servicing the short-term debt

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<sup>26/</sup> The material product is the value of the gross product of the agricultural, mining, manufacturing, construction and electricity sectors.

contracted in recent years, which hindered the growth of imports. Finally, the growth of the economy in 1979 was restricted by the negligible growth of less than 1% in the productivity of labour.

During 1979 there was also a drop in the global economic growth rate and a slight decline in the per capita product of Bolivia and Haiti, two of the least developed economies of the region (see table 19).

In Bolivia the gross domestic product rose by a mere 1.5%, which is not only the lowest rate of the decade but also means that the steady loss of economic dynamism since 1977 continued. This lower growth rate was the result of pronounced declines in the mining and petroleum sectors, the stagnation of agriculture and the slower growth of industry, construction, transport and trade, which were to some extent affected by the uncertainty arising from the electoral process and by the subsequent disorders and paralyzation of activities.

In Haiti, the economic growth rate of nearly 2% was the second lowest of the decade. What is more, it failed to match the population growth rate and consequently the per capita product declined slightly for the third time in the last five years. The fundamental cause of the weak total growth rate was the smaller growth of the agricultural sector, that still accounts for 44% of the total product, affected in 1979 by the smaller coffee crop which reached the lowest level for the last 20 years.

## 2. Total supply and demand

In 1979 the growth rate of total supply rose for the fourth consecutive year. After increasing by roughly 5% in both 1977 and 1978, it grew by 7% in 1979 as a result of the faster growth of the product and, above all, the much higher growth in the volume of imports of goods and services. The latter, after dropping slightly in 1975 and 1976 because of the restrictions imposed by many countries of the region in response to the effects of the world economic recession, grew at an average rate of a little over 8% in the following two years and by over 11% in 1979, thus exceeding the very high growth rates of the first half of the decade (see table 20).

/As in

As in the preceding three years, exports were the most dynamic factor of total demand in 1979. After declining by 3% during the international crisis of 1975, and despite the relatively sluggish growth of the world economy in the following four years, the volume of exports of goods and services rose by 35% in the period 1976-1978, and again by nearly 10% in 1979. Thus the export coefficient continued to improve, inverting the declining trend it had followed until 1975 (see table 21).

During 1979 there was also a sharp increase (8%) in fixed gross investment, whose growth rate rose for the third consecutive year and once again exceeded that of the product. Consequently, the investment coefficient continued its slow but steady rise during the decade, and for the first time neared 23%.

### 3. Sectoral trends

During 1979 all major production sectors grew more rapidly than in the previous year, with the exception of construction. The growth rates were most uneven, however. While mining and basic services grew by roughly 9% and the product of manufacturing industry by a little over 5%, agriculture grew by only slightly over 3%, while construction and other services rose by roughly 5.5% (see table 22).

The considerable growth of the mining product, at a rate more than double that of 1978, was heavily influenced by the very high growth of the mining sectors in Mexico, Peru and Brazil and the sharp upturn in mining in Venezuela. In Mexico, which alone accounts for 38% of the total mining product of Latin America, the sector recorded a very high rate for the fourth consecutive year, primarily as a result of the sustained high growth of petroleum extractions. Mining also rose sharply in Peru, as a consequence of the rapid growth of oil production, whose volume in 1979 was double the 1977 figure, and of the steady growth of copper output, which more than doubled the 1975 level. The acceleration of the growth rate of the mining product of the region was significantly affected by the expansion of nearly 10% in mining in Venezuela, which accounts for one-sixth of the regional total, and where the mining product declined by one-third between 1973 and 1978 as a result of a systematic cut-back in oil production. Thus, of the main mining

/countries, only

countries, only Chile recorded weak growth rates. On the other hand, very high rates were recorded in Guatemala (as a result of the expansion of nickel output and the start of oil extraction), Brazil (stemming from the considerable rise in production of iron ore and a moderate rise in petroleum output) and Paraguay, and the growth rate picked up again in the Dominican Republic (with a much higher output of ferronickel and silver).

During 1979 the industrial sector grew by 7.6%, a rate well above those of the preceding four years. This high rate reflected, firstly, the continued strong growth in manufacturing output in Brazil (7%) and particularly Mexico (nearly 9%), by far the most important industrial sectors of the region;<sup>27/</sup> secondly, the upturn in industrial activity in Argentina, which accounts for one-sixth of the manufacturing product of the region and where industrial output rose by 11% in 1979 after having dropped by 8% in the previous year; and finally, the significant growth recorded in the manufacturing sectors of Uruguay, Ecuador and Chile.

In Uruguay, industrial output rose by 10%, stimulated by the growth of domestic demand, sales to Argentinian tourists and the strong and steady expansion of exports of a broad range of manufactures. Manufacturing output also rose by 10% in Ecuador, as a result of appreciable growth in the metal products, machinery and equipment, chemicals, and wood and paper products industries. Because of this growth and the even higher rates recorded in earlier years, the manufacturing product in 1977 was more than double the 1972 level. In Chile, on the other hand, the rise of nearly 9% in the manufacturing product represented, as in the three previous years, a further step towards recovering the level of activity which had existed before 1975, when it slumped by 27% as a result of the severely restrictive policy adopted to combat inflation and face up to the adverse effects of the international crisis.

In the other medium-sized economies of the region, the growth rate of the manufacturing product slipped from nearly 8.5% to less than 6% in Colombia, and from slightly over 5% to roughly 4.5% in Venezuela, while in Peru it rose by 4%, thus partially making good the declines of the two previous years.

<sup>27/</sup> In 1979 Brazil generated 38% of the industrial product of Latin America, while Mexico accounted for nearly one quarter.



In the Central American countries, manufacturing growth rates declined moderately in Guatemala and Costa Rica, and more steeply in Honduras, following three years of rapid growth. On the other hand, manufacturing output dropped by 7.5% in El Salvador and by over 27% in Nicaragua, as a result of the social and political conflicts in those countries.

Although the growth rate of agriculture increased slightly from 2.8 to 3.2% in 1979, it was once again the least dynamic sector of the economy (see table 22).

This result was heavily influenced by the contrasting trends in agricultural output in Brazil and Mexico, which each accounted for roughly one-fifth of the total agricultural product of the region in 1979, and in Colombia and Argentina, which each accounted for roughly 15%. Whereas in Brazil the agricultural product rose by 3% - primarily because of the upturn in crop production, which had fallen steeply in 1978, in Mexico the growth rate of the sector declined for the second consecutive year, falling below the population growth rate, due to weather problems and the lack of price incentives for grain production. The growth rate of the agricultural product also declined in Colombia, which had enjoyed the exceptionally high rate of 9% in 1978. This was chiefly a consequence of the slower growth of coffee output, which rose by 5% in 1979 as opposed to over 16% in the previous year. Conversely, in Argentina the 5% rise in the agricultural product, chiefly stemming from a large harvest of cereal and oil-seed crops, almost trebled the 1978 rate.

The largest relative growth of the agricultural product occurred in Chile: following a slight drop in 1978, it grew by nearly 8% as a result of the appreciable increase in the production of legumes and fruit and the upturn in output of cereals and meat.

On the other hand, the growth rate declined slightly in Venezuela and Paraguay, following considerable rises in both countries in the previous two years, and more sharply in El Salvador, Guatemala and Haiti. In the other Central American countries, with the exception of Honduras, the agricultural product declined in absolute terms; this was also the case in the Dominican Republic where agricultural activity was hit by hurricane David and tropical storm Flora, and in Bolivia, where agricultural output was harmed by excessive rain and flooding.

/In contrast

In contrast with the other goods-producing sectors, the growth rate of the construction industry declined in 1979, after having been the most dynamic sector of the economy in the preceding two years. The rate dropped from nearly 8% in 1977-1978 to 5.5% in 1979.

This drop was chiefly the result of much less favourable trends in construction in Brazil, Venezuela and Colombia. In Brazil, after growing at an extraordinarily high and sustained annual rate of over 12% between 1970 and 1976 and a rate of 9.5% in 1977-1978, the construction sector grew by less than 4% in 1979. This sharp drop was primarily due to the restrictive policy applied in public works in order to slow inflation and to the real decline in the volume of loans granted by the housing finance system for the same reason. The credit-squeeze policy adopted to slow inflation and the sharp drop in real investment by the Government were likewise the causes of the virtual stagnation of construction in Venezuela in 1979. This brought an end to the extraordinary boom of construction during the preceding eight years, when the product of the sector more than tripled. Anti-inflation measures also adversely affected construction in Colombia, where the sectoral product declined by 4% in 1979, after having recovered in the previous two years from the drop of nearly 18% which occurred in 1975-1976.

In contrast with the unfavourable trends in the construction sector in those three countries, the sector continued to grow rapidly in Uruguay and especially in Paraguay, and recovered appreciably in Chile.

In Uruguay, the construction sector grew by 20% in 1979, following rates of 15% in 1977 and nearly 11% in 1978, primarily thanks to the enormous rise of 44% in private construction. This was concentrated in Montevideo, primarily the resort area of Punta del Este, and was largely financed by foreign private investment.

The growth of construction was even greater in Paraguay, where it rose for the third consecutive year by roughly 30% following an average annual rate of 17.5% in 1974-1977. As a consequence of this extraordinary growth, largely linked with the construction of the Itaipú dam, the construction product in 1979 was more than triple the 1974 level, while the share of fixed investment rose from 19% in 1974 to over 33% in 1979.

/During 1979

During 1979 there was also very high growth (26%) of the construction product in Chile. This growth was the result of the expansion of economic activity in general and, above all, of the sharp drop in real interest rates, which had reached exceptionally high levels in the previous three years. This considerable growth of construction in 1979, together with the much smaller increases in the two preceding years, was not enough to make up for the sharp drop which occurred in 1975-1977, and the product of the sector was still far short of 1974 levels.

Finally, in 1979 the product generated by basic services grew at a very rapid rate of nearly 9%, primarily as a result of the high growth of the electricity sector, while the value added by other services rose by nearly 6%. Although this was a considerably higher rate than in 1978 and 1977, as in those years it was lower than the rate for the goods-producing sectors as a whole. On the other hand, the relative growth of those sectors was lower than the growth rate of basic services for the third consecutive year (see table 22).

#### IV. THE EXTERNAL SECTOR

##### 1. Foreign trade

In 1979 the foreign trade of Latin America expanded very rapidly for the fourth consecutive year. The total value of exports and imports of goods and services increased by over 28% to reach a total of nearly US\$ 1,800 billion, 80% greater than 4 years previously and nearly five times the 1970 figure.

As in 1976-1977, the rapid expansion of foreign trade in 1979 was primarily the result of the considerable growth of exports of goods, the value of which increased by 33.5%, well above the likewise considerable rise (26%) in imports of goods.

As a result of the difference in the growth rates of imports and exports, the balance of the trade in goods for the region as a whole showed a surplus of nearly US\$ 19 billion in 1979, in contrast with a deficit of over US\$ 15 billion in 1978. This turnabout, however, was exclusively caused by the change in the trade balance of the group of five oil-exporting countries, whose terms of trade improved sharply and whose trade in goods swung from a deficit of US\$ 26.5 billion in 1978 to a surplus of nearly 26 billion in 1979. In contrast, the remaining 18 economies of the region, whose terms of trade worsened for the second consecutive year, and which had recorded a surplus in the trade of goods of a little over US\$ 11 billion in 1978, showed a deficit of US\$ 7 billion in 1979.

##### (a) Exports of goods

As mentioned earlier, in 1979 the value of exports of goods of Latin America was one third greater than in 1978 (see tables 23 and 24). Furthermore, this very steep rise (following on appreciable but significantly smaller increases in the three preceding years) was very widespread.

The value of exports declined in only three of the twenty-three countries of the region, and in one of these - Guyana - the fall was very small, while the larger drops in the exports of Haiti (-10%) and Nicaragua (-12%) were caused by exceptional factors: the slump in coffee output in Haiti to the lowest level in the last 20 years, and the bloody civil war in Nicaragua.

/In contrast,

In contrast, the value of exports of goods increased by 80% in Peru, as a result of the virtual quadrupling of oil sales, very strong growth in exports of silver, copper and lead, all of which enjoyed steep price rises, and the doubling of the value of non-traditional exports, which had already grown exceptionally rapidly in the three previous years, and whose level in 1979 was 5 times that of the three years earlier.

The value of exports also increased very rapidly (55%) both in Venezuela, primarily as a result of higher oil prices, and in Chile, due to better prices for copper and molybdenum and the expansion of non-traditional exports, whose value continued to rise steeply, with an increase of nearly 570% in the last five years.

The growth rate of the value of exports was also very high in Mexico (46%) and Ecuador (40%), both of which benefited from the new large increases in world oil prices. In Ecuador, sales of petroleum and petroleum products, which account for nearly half the total value of exports of goods, almost doubled although their volume dropped by 4%. The increase was even greater in Mexico, where the value of exports of petroleum and petroleum products rose by 117%, reaching a level seven times that of 1976.

The widespread nature of the growth of Latin American exports is further reflected in the fact that exports rose by between 20 and 34% in 8 other countries (Argentina, Barbados, Bolivia, Brazil, Colombia, Dominican Republic, El Salvador and Honduras), by about 18% in Paraguay and Trinidad and Tobago, and by roughly 14% in Uruguay and Panama (see table 24).

The striking rise in the value of exports of goods was the result both of considerably higher unit values - over 20% on average - and the sharp expansion of the volume of exports. The latter had risen steadily and rapidly during the previous three years and increased by nearly 11% in 1979, with a total increment of 44% in the period 1976-1979 (see table 23).

The exceptional expansion of the quantum of exports, and above all the fact that this occurred during a year in which the growth rate of the central economies slackened, with a resurgence of protectionist practices in some of them, are clear indications of the growing dynamism and versatility of the export sector in many countries of the region and of the increasing importance in recent years of trade within Latin America and with the countries of OPEC and some Asian nations.

/This was

This was also reflected in the fact that the volume of exports once again increased more rapidly in the group of non-oil-exporting countries (12%) than in the group of countries whose export earnings are derived primarily from oil sales (8%). In the former group, the quantum of exports grew very rapidly, at rates of between 11 and 38%, in a large and varied range of countries including Barbados, Brazil, Colombia, Chile, the Dominican Republic, El Salvador, Honduras, Paraguay and Peru (see table 24). Thanks to these increases, and to equally rapid growth in the previous three years, the volume of exports of the non-oil-exporting countries as a group was almost 50% higher in 1979 than in 1975.

The rather smaller but nevertheless considerable rise (8%) in the quantum of exports of the oil-exporting countries, on the other hand, was exclusively due to the vigorous and sustained growth of Mexican exports - whose volume increased by nearly 14%, with a total growth of nearly 90% in three years, and the turnabout in the volume of Venezuelan exports, which increased by 6% in 1979 after shrinking steadily between 1973 and 1978. In Bolivia and Trinidad and Tobago the quantum of exports declined for the third consecutive year, and in Ecuador for the second time in the last three years.

As was pointed out above, during 1979 the unit value of Latin American exports also increased appreciably (20%). Naturally this increment was particularly pronounced (35%) in the oil-exporting countries, which benefited from the considerable rises in world oil prices during the year. Although much smaller, the rise in the unit price of exports was also considerable - nearly 13% in the non-oil-exporting countries. In this group, the average price of exports rose in all countries with the exception of Colombia and El Salvador, which were harmed by the drop in world coffee prices. In contrast, the rise in the unit value of exports was pronounced in Barbados, as a result of better world sugar prices; in the Dominican Republic, due to better prices for bauxite, ferronickel and especially gold and silver; in Argentina and Uruguay, primarily because of higher meat and cereal prices; in Chile, which benefited from the higher prices of copper and especially molybdenum; and above all in Peru, which benefited from the virtual doubling of the prices of oil, silver, lead, and fish oil and the higher prices of copper, cotton, zinc and sugar in 1979.

/(b) Imports

(b) Imports of goods

Imports of goods also grew sharply in 1979, although less so than exports. Their value rose by over 26%, as a result of a 10% rise in volume and a 15% rise in unit value (see table 25).

In contrast with what had occurred in the previous four years, the growth of the quantum of imports was higher in the group of non-oil-exporting than in the oil-exporting countries.

In the second group, the volume of imports rose by nearly 9%, but this growth was almost exclusively due to the large rise in real imports of Mexico, which rose by one-third in 1979 following a 28.5% increase in 1978. This growth, largely attributable to the upturn in Mexican economic growth and large-scale purchases by the petroleum industry, was particularly strong in the case of imports of capital goods, whose value rose by 65%, double the average amount for the period 1976-1977.

In contrast, the volume of imports dropped by 10% in Venezuela, as a result of a new and more pronounced decline in the economic growth rate and of the restrictive policy adopted to tackle mounting inflationary pressures and reduce the large deficit generated on current account in 1977 and 1978. Despite this decline and the 3% drop in the volume of imports in 1978, and thanks to soaring growth during the four-year period 1974-1977, the quantum of Venezuelan imports in 1979 was still double the 1973 level, the year before the first sharp rise in world oil prices.

Conversely, in the non-oil-exporting countries, the rise of nearly 11% in the volume of imports in 1979 represented the first large rise since 1974, and meant that for the first time they rose slightly above the very high level attained by real imports in that year (see table 23).

Although the volume of imports rose during 1979 in all the non-oil-exporting countries with the exception of El Salvador, Haiti and Nicaragua, the increase was particularly pronounced in Argentina, the other Southern Cone countries and Barbados, Paraguay, Peru, the Dominican Republic, Brazil and Honduras.

In Argentina, the volume of imports climbed by 38%. This exceptional growth was the result of the joint action of three major factors. The first of these was the strong growth of the economy following four years of stagnation;

/the second

the second was the fall in the real rate of exchange, which, bearing in mind the rise in world prices, reduced in relative terms the prices of imported goods in local currency; and the third was the introduction of a tariff reform designed gradually to cut the level and range of tariffs in the medium term. As a consequence of these changes, the value of imports of capital goods rose by 41%, the value of imports of intermediate goods (excluding fuels) by 63%, and that of consumer goods more than trebled.

The smaller but still appreciable growth in the quantum of imports in Uruguay (30%) and Chile (15%) had similar causes, although unlike the Argentinian case they represented the continuation of a rising trend which had set in several years earlier. Thus, in Uruguay the rapid growth in the quantum of imports in 1979 was buoyed by the unusually large rise in the gross domestic product, the open-economy policy adopted by the Government in order to modify the production structure of the economy and fight inflation in the short term, and by the fall in the real rate of exchange. In these circumstances, all imports rose very rapidly. The growth of purchases of consumer goods was particularly pronounced, more than doubling in value, while imports of capital goods increased by 44% and those of intermediate goods (excluding petroleum and petroleum products) by 70%.

The rapid growth of domestic output, the conclusion of the programme of tariff cuts begun in 1974 (under which by mid-1979 all imported goods (with the exception of some automobiles) were subject to a single standard 10% tariff) and the drop in the real rate of exchange that occurred in the last quarter of the year as a result of the adoption of a fixed parity, were the main causes of the 15% rise in the volume of Chilean imports. Although this followed on even larger increases in earlier years, as the quantum of imports had fallen sharply in 1975-1976 the level in 1979 was only 10% above that of 1974.

In Paraguay, on the other hand, the 21% increase in the quantum of imports in 1979 represented a continuation of the extraordinarily dynamic growth process which began in 1976, with the volume of imports rising by nearly 120% by 1979.

/In contrast,



In contrast, in Brazil and especially in Peru the growth of the volume of imports during 1979, while significant, was such that imports remained below the levels attained on the eve of the recession which affected the world economy in the mid-1970s. In Peru, the greater availability of foreign exchange, the gradual liberalization of import controls and bans, the growth of domestic investment and the resumption of external financing combined with the reversing of the falling trend in economic activity to create an increase of nearly 12% in the quantum of imports. Due to the very large drops in the preceding three years, however, the 1979 level remained one third below that of the period 1974-1975.

The trend was similar but much less pronounced in Brazil, where the volume of imports, after growing very rapidly until 1974, fell steadily in the next three years, rose by nearly 6% in 1978 and continued to recover, although more sharply in 1979. Nevertheless, although the growth rate of the quantum of imports was nearly 10%, higher than the growth rate of the product, both the import coefficient and the total volume of imports remained lower in 1979 than in 1974. Between those two years, the former dropped from 10.5% to 7.2%, while the quantum of imports fell by 5%.

The unit value of imports rose by 15% in 1979, after three years in which the average increase was roughly 6%. Naturally, the rise was much larger in the oil-importing countries than in the oil-exporting countries. In the latter, the average price of imports rose by 8%, a figure only slightly above that for the previous three years. In contrast, in the non-oil-exporting countries the rise in the unit value of imports was nearly 20%. This increase was more than triple the average for the period 1975-1978, and was only surpassed in the entire 1970s by the rise in 1974, when the first and largest rise in oil prices was introduced by the OPEC countries (see table 23).

Obviously, the striking difference between trends in the unit value of imports in the oil-exporting and in the oil-importing countries was fundamentally the result of the fresh large increases in world oil prices in 1979.

In the second group, the impact of those rises was reflected in the extraordinarily large rise in the value of oil imports and also in the proportion they represented in total imports of goods. Thus, the value of imports of oil

/and petroleum

and petroleum products rose by between 42% and 52% in Guatemala, Panama, Honduras, the Dominican Republic, Brazil and Guyana, by 66% in Costa Rica and nearly 80% in Colombia, and more than doubled in Argentina, Barbados and Chile. Such imports represented between 20 and 30% of the total value of imports of goods in 1979 by Barbados, Chile, the Dominican Republic, Guyana, Haiti, Jamaica, Nicaragua, Panama, Paraguay and Uruguay, and 35% of total Brazilian imports. In almost all the countries these percentages were well above those recorded in 1978, and in most of them were triple the 1973 figures (see table 26).

(c) The purchasing power of exports and the terms of trade

Buoyed by the vigorous growth in the volume of exports and by the partial recovery of the terms of trade, the purchasing power of Latin American exports of goods and services rose by 16.5% in 1979. Thus, the purchasing power of the region's exports, after dropping sharply in 1975, registered a growth of nearly 46% over the next four years and an average annual rate of 7.5% during the decade as a whole (see table 27).

Trends in the purchasing power of exports during 1979 varied enormously between the oil-importing and oil-exporting countries. In the latter, the purchasing power of exports grew much more rapidly (28%), the main factor in the increase being the considerable improvement once again in the external terms of trade, which rose by 25%, thus more than doubling the level at the beginning of the decade (see table 28). What is more, in countries such as Ecuador, and particularly Venezuela, where oil sales account for an exceptionally large proportion of earnings from exports of goods, the improvement in the terms of trade during the decade was even greater.

In the group consisting of the remaining 18 countries of the region, the rise in the purchasing power of exports was smallest and had a different cause. In those countries, the sole cause of the increase of more than 8% was the growth of the volume of exports, which rose by nearly 12%, pursuing their vigorous expansion of the previous three years and for the second consecutive year making up for the worsening in the terms of trade.

/The terms

The terms of trade declined by nearly 6%, thus dropping to the lowest level in the decade. This drop was widespread, and the terms of trade improved in only three countries: Chile (7%) thanks primarily to the recovery of copper prices and the extraordinary steep rise in world molybdenum prices; Peru (27%), thanks to the good prices for copper, silver, lead and zinc and the considerable rise in oil prices, which it began to export in much larger quantities in 1979; and the Dominican Republic, whose exports were favoured by the much higher prices of gold and silver, and to a lesser extent by the rise in world sugar prices in the second half of the year.

## 2. The balance of payments

### (a) The trade and current account balances

A more rapid growth in exports of goods (34%) than in imports of merchandise (26%) meant that visible trade, which in 1978 had registered a deficit of slightly over US\$ 1.5 billion, in 1979 generated a surplus of nearly US\$ 1.9 billion. However, since at the same time net payments for non-factor services continued to increase rapidly, the trade deficit only dropped from US\$ 5.9 billion in 1978 to slightly over US\$ 4 billion in 1979 (see table 29).

All in all, these global changes once again constituted the result of the very uneven evolution of the commercial transactions of oil-exporting and non-oil-exporting countries. In fact, while the former progressed from a trade deficit of US\$ 4.3 billion in 1978 to a surplus of US\$ 400 million in 1979, in the latter the deficit which had already doubled in 1976 nearly tripled in 1979 when it increased from nearly US\$ 1.6 billion to US\$ 4.45 billion.

These changes in the aggregate figures of each of the groups stemmed from trends which sometimes ran counter in the different countries composing them. The inversion of the trade balance of the oil-exporting countries was basically a result of the radical change experienced in Venezuela's trade, which after generating an enormous deficit of close on US\$ 4.5 billion in 1978, showed a surplus of US\$ 650 million in 1979 as a result of the rocketing value of exports in 1979 (56%) and the slight drop which simultaneously occurred in the import total. In Mexico, however - the second main oil-exporting country of the region - the trade deficit worsened notoriously,

/although in

although in 1979 the value of exports of goods increased for the third year running at the exceptionally high rate of 46%.

Among the non-oil-exporting countries, the increase in the deficit of trade in goods and services mainly reflected the evolution of international trade in Brazil and Argentina and to a lesser extent the deterioration of the trade balance of the majority of the Central American and Caribbean countries.

In Brazil - where the trade balance had gradually fallen from US\$ 6.3 billion in 1974 to nearly US\$ 1.7 billion in 1977 as a result of the vigorous growth of exports and the total constraint on the amount of imports, but where the imbalance between exports and imports began to grow in 1978 when imports once again began to increase - the trade deficit once more shot up in 1979, from nearly US\$ 2.9 billion in 1978 to close on US\$ 5.1 billion in 1979 mainly as a result of the considerable increase in the value of imports of fuels.

In Argentina - which during the period 1976-1978 obtained large and increasing surpluses in its trade in goods and services - the trade surplus dropped sharply from over US\$ 2.7 billion in 1978 to slightly under US\$ 1 billion in 1979 as a result of the exceptional increase of 74% in the value of imports of goods and services in that year.

Peru and Colombia, however, achieved large surpluses in their trade in 1979 while Chile reduced its 1978 deficit by over US\$ 200 million and El Salvador transformed its deficit into a small surplus of nearly US\$ 10 million.

The improvement in trade was particularly marked in Peru. This country, which in 1978 had achieved a small trade surplus after accumulating a substantial deficit over the previous five years, in 1979 obtained a sizeable surplus of nearly US\$ 1.45 billion basically as a result of the exceptional increase of 70% in the value of its exports of goods and services in that year. The trade surplus achieved by Colombia, although only half that of Peru, represented the continuation of the trend begun in 1975 as a result of the coffee boom which permitted Colombia to obtain large surpluses in its trade in each of the previous five years (see table 29).

/Despite the

Despite the drop in the trade deficit for the region as a whole, during 1979 the current account imbalance increased for the third consecutive year and amounted to the unprecedented sum of US\$ 18.3 billion, as a result of the spectacular growth of 46% in net payments of profits and interest in 1979 (see table 30).

Although the current account position deteriorated in 13 of the 18 non-oil-exporting countries, whose joint deficit reached the never before registered sum of nearly US\$ 13.5 billion, the changes were particularly marked in Brazil, Argentina, Uruguay, Paraguay and the majority of the Central American and Caribbean economies.

Brazil's current account deficit reached the unprecedented figure of US\$ 10.45 billion, more than doubling the deficit registered in this country only two years previously. In Argentina, the substantial surplus of nearly US\$ 2.1 billion on current account in 1978 became in 1979 a deficit of slightly over US\$ 500 million. Both in Uruguay and Paraguay the current account deficits more than doubled their 1978 amounts in 1979, while Guyana's deficit nearly tripled that of the previous year in 1979. In Costa Rica, Guatemala, Jamaica and Panama, the current account deficits were between 55 and 70% higher than in 1978 and doubled or tripled the respective deficits recorded in 1977.

In this group of countries, only Peru and Colombia obtained substantial surpluses on their current operations in 1979 while Nicaragua and El Salvador achieved small surpluses owing to the fact that in the former imports of goods fell by nearly 40% as a result of the paralyzation of economic activity caused by the civil war, while in the second coffee exports grew by over 60% when the substantial surplus of beans which had been accumulated the previous year was sold in 1979.

Surprisingly enough, the current account situation also deteriorated in all the oil-exporting countries, except for Venezuela and Trinidad and Tobago. In 1979 Bolivia recorded an unprecedented deficit of around US\$ 475 million, while in Ecuador the current account deficit was two-thirds higher in 1979 than in 1978. But the most marked change took place in Mexico, where the current account showed a deficit of nearly US\$ 4.25 billion, 80% higher than the previous year's deficit and even exceeding the enormous

/deficit recorded

deficit recorded in 1975. The cut in the current deficit of the oil-exporting countries as a whole from US\$ 8.2 billion in 1978 to US\$ 4.8 billion in 1979 stemmed almost exclusively from the very considerable drop in Venezuela's deficit, which after increasing from US\$ 3 billion in 1977 to US\$ 5.3 billion in 1978, dropped to only US\$ 200 million in 1979.

(b) The capital account

During 1979 the net inflow of non-compensatory capital to the region as a whole amounted to nearly US\$ 25.5 billion. This sum not only exceeded by 14% the very large amount registered in 1978 - a year when the net inflow of non-compensatory capital had already experienced an exceptional increase of 44% - but also exceeded the amount of the deficit on current account. Latin America's balance of payments thus finally gave a surplus of an unprecedented magnitude of close on US\$ 7.1 billion (see table 30).

Although Brazil was once again the country which attracted the greatest part of the capital which poured into Latin America, its distribution among the different countries was better balanced in 1979 than in 1978. This was largely due to the fact that in 1979 the flow of capital towards Brazil and Venezuela dwindled while the resources attracted by Mexico, Chile, Colombia, Peru, Uruguay and, above all, Argentina, increased substantially.

In Brazil the net amount of resources received dropped from an exceptionally high level of US\$ 11 billion in 1978 to slightly under US\$ 7.6 billion in 1979, as a result on the one hand of the large increase in amortization payments and on the other of the reduction in loans resulting from the policy adopted by the economic authorities in April, which established the obligation in the Central Bank of freezing half the new loans contracted abroad and restricted the contracting of new loans by the public sector. Thus Brazil, which in 1978 received nearly half the total movement of loans and investments towards the region, in 1979 only attracted 30%.

During 1979 Venezuela's share in the total net flow of non-compensatory capital also dropped sharply - from over 15% in 1978 to less than 6% - when the net sum of the resources entering this country dropped from slightly over US\$ 3.4 billion in 1978 to US\$ 1.45 billion in 1979.

/The movement

The movement of capital towards Mexico, however, increased sharply for the second year running, reaching a net amount of US\$ 4.6 billion, 70% higher than the figure registered the previous year and 135% higher than that for 1977. This trend was decisively influenced by the favourable expectations created by the greater dynamism of the evolution of the Mexican economy in 1979 and particularly the rapid growth of its oil industry and the discovery of new and well-stocked wells in the Gulf of Campeche. These changes in expectations were reflected in the drastic reverse in the flow of short-term capital - which after registering substantial deficits in the previous three years in 1979 generated a surplus for the first time since 1973 - and in the very large amount (US\$ 10.4 billion) of the long-term loans obtained by the public sector.

The net inflow of non-compensatory capital was also much higher in 1979 in Argentina, Chile and Uruguay, which continued to apply measures aimed at opening up their economies commercially and financially to the exterior during that year. The increase in loans was particularly marked in Argentina, which after recording a net outflow of capital in 1978 received credits and investment for a net sum of over US\$ 4.9 billion, and in 1979 became the region's second main recipient of external resources after Brazil.

During 1979 the amount of external resources attracted by Colombia also continued to grow very rapidly, while the net movement of non-compensatory capital towards Peru made a recovery. In the former country, the incoming capital, after tripling in 1978, doubled in 1979, and amounted to nearly US\$ 740 million. In Peru, the notable improvement in the external sector which took place in 1979 encouraged an increase in medium- and long-term loans to the public sector. As a result of this and of the refinancing of the external debt the net inflow of non-compensatory capital, which dropped from US\$ 1 billion to 150 million during 1977 and 1978, recovered in 1979 and reached the sum of US\$ 925 million.

The net inflow of non-compensatory capital also increased in all the other economies of the region with the sole exceptions of Bolivia and Guyana - where it dropped slightly - and Trinidad and Tobago, El Salvador and Nicaragua - where there were net outflows of capital.

/However, the

However, the increase in the net inflow of capital did not succeed in preventing the closing of the balance of payments on a deficit in nine of the region's economies. This was the case of all the economies of Central America, with the sole exception of Honduras, of Bolivia and Guyana for the second time in the last three years, Jamaica for the fifth year running and Brazil which in 1979 had a deficit of nearly US\$ 2.9 billion, after obtaining a surplus of over US\$ 3.95 billion during the previous year.

In the remaining fourteen countries, the balance of payments closed with a surplus. The most substantial of these was that obtained by Argentina, which achieved the exceptionally high sum of US\$ 4.4 billion, more than doubling the surplus of the previous year. This situation also occurred in Colombia which obtained a surplus of US\$ 1.26 billion which more than doubled the surpluses of 1977 and 1978. The balance-of-payments surplus also increased substantially in Chile, from nearly US\$ 625 million in 1978 to nearly US\$ 1.05 billion in 1979. All in all, the biggest reverses were in the balance of payments of Venezuela - which after registering a deficit of US\$ 1.9 billion in 1978 obtained a surplus of US\$ 1.25 billion in 1979 - and Peru which transformed its deficit of US\$ 100 million in 1978 into a large surplus of over US\$ 1.57 billion in 1979, which was only exceeded that year in the region by the considerable surplus obtained by Argentina (see table 30).

Naturally, these balance-of-payments results were generally reflected in the evolution of the gross international reserves. In the region as a whole these grew by nearly 21%, a very similar rate to that of their growth over the last three years. As a result of this increase, the absolute sum of Latin America's gross international reserves was close on US\$ 41 billion at the end of 1979 (see table 31).

Argentina, Colombia, Venezuela, Peru and Chile contributed particularly to this growth of reserves. In Argentina - where the reserves had already increased notably in the last three years - they nearly doubled in 1979 and were thus 32 times those of 1975. As a result of this increase, Argentina replaced Brazil as the country with the largest reserves in the region. During 1979 the rapid and persistent growth of Colombia's gross reserves also continued - they increased eight-fold in the last four years

/and exceeded



and exceeded US\$ 3.8 billion in December 1979 - and those of Chile - where the reserves increased by nearly 80% in the course of the year and thus multiplied their total at the end of 1975 by 35 (see table 31).

However, the greatest relative increase in reserves took place in Peru, where they nearly quadrupled in 1979 and exceeded US\$ 1.5 billion. There was also a considerable change-over in Venezuela where gross reserves grew by more than 20% following three years of continuous decline.

Brazil's gross reserves, however, which nearly tripled between 1975 and 1978, fell by 24% in 1979, as a result of the heavy deficit registered that year in the balance of payments.

Lastly, gross reserves declined in all the Central American economies - with the sole exceptions of Honduras and particularly Nicaragua, where they increased by 67% as a result of the international co-operation received during the second half of the year - and dropped very steeply in Guyana, which meant that at the end of the year they were equivalent to barely two weeks of import requirements.

#### /V. INFLATION

## V. INFLATION

During 1979 the inflationary processes in Latin America became generalized and their pace increased. For the region as a whole, the price growth rate rose from slightly over 40% in 1978 to 55% in 1979, while the number of countries in which consumer prices rose more rapidly than the previous year (17) was more than three times the number of those in which inflation became less acute (5) (see table 32).

Naturally, the inflationary process took on very different dimensions in the different countries. In the group formed by Argentina, Brazil, Colombia, Chile, Mexico, Peru and Uruguay - bringing together the majority of the biggest and most developed economies of the region where inflation rates have traditionally been high - the average rate of increase of consumer prices rose from slightly under 48% in 1978 to 63% in 1979. In the remaining economies of Latin America and the Caribbean - where inflation between 1975 was similar to that of the industrialized countries - the rate of increase in consumer prices rose on average from 10% in 1978 to 22% in 1979. This latter figure was the highest of the decade and slightly exceeded that registered in 1974, when the international price of oil experienced its first significant increase and when the unit value of Latin American imports rose by over 40%.

However, also within each of the groups considered there were substantial differences in the level and trends of the process of inflation.

In the first group of countries considered the growth rate of prices fell only in Argentina and Peru, but in both cases the drop was not very marked and inflation continued to be very high (140% and 67% respectively). On the other hand, inflation put on a sharp spurt in Uruguay (from 46 to 83%) and in Brazil (from 38 to 76%), and to a lesser extent in Chile (from 30 to 39%) and Colombia (from 19 to 29%).

The intensification of inflation was also the general norm in the second group of countries considered, although among these there were some, such as Ecuador, Guyana and particularly Jamaica, which succeeded in moderating the increases in prices. In the majority, however, inflation rates far exceeded the usual rates of the past. In Bolivia the rate of

/increase of

increase of consumer prices more than tripled, rising from 13.5% in 1978 to 45.5% in 1979, this latter rate even exceeding the very high rates registered in the period 1973-1974. A similar intensification of inflation took place in Venezuela, where inflation in 1979 reached a level never before registered of almost 21%, nearly tripling the previous year's rate, and in Haiti, where the rate of increase of prices went up from 5.5% to over 15% in the last few years. Inflation also increased sharply in Paraguay, from less than 17% in 1978 to nearly 36% in 1979. However, the largest increases in the rate of inflation took place in the Dominican Republic - where the price level rose by more than 26%, after remaining nearly stable in 1978 - and in Nicaragua - where the rate of inflation rose from 4% in 1978 to over 70% in 1979. Lastly, inflation also notably increased its pace in Costa Rica, Guatemala, Honduras, Panama and Trinidad and Tobago (see table 32).

Although the factors determining inflation and its relative incidence in the rate of growth of prices were very diverse in the different countries, it is obvious that one of the main causes of the generalized increase in the pace of inflation in Latin America in 1979 was international inflation. The average prices of imports - which over the previous three years had increased at a rate of around 6% - rose by 15% in 1979, thus generating strong pressures on costs and domestic price levels (see table 33). This inflationary factor, largely attributable to the new and large-scale increases in international prices of fuels during 1979, naturally affected the oil-importing countries with particular intensity, and especially the relatively more industrialized countries like Brazil, Chile and Uruguay, where imported oil represents a considerable fraction of total fuel-consumption. However, because of the exacerbation of inflation in the majority of the industrialized countries, with its consequences on prices of manufactures, imported inflation in 1979 affected the Latin American economies in general, including those which are net exporters of oil. The inflationary effect of the increase in the price of imports was augmented in a large number of cases by that stemming from the considerable increase in 1979 in the prices of Latin American exports, which after falling around 4% on average in 1978 increased by over 20% in 1979.

/The evolution

The evolution of the level of prices in the different countries also reflected the influence of the economic policy, the evolution of domestic demand and the upheavals in economic activity originating in climatic factors or socio-political conflicts.

Among the elements connected with the administration of the economy, the exchange policy in some countries had a particular incidence on the course of inflation. This was the case in Bolivia, where the 25% increase in the exchange rate agreed upon in November after seven years in which parity had remained fixed, contributed decisively to speeding up the rate of price increases at the end of the year. These prices, which had increased by 15% up to October, rose by over 4% in November and had an exceptional increase of nearly 22% in December. These rocketing price levels were also affected by the measures adopted at the end of November which led to a readjustment of between 30% and 60% in the prices of fuels and transport, to the liberalization of food prices and the granting of a bonus to the majority of the wage-workers to compensate for the rise in the cost of living.

The modification of the exchange policy also played an important role in inverting in 1979 the downward trend which had been appearing in Chilean inflation in the previous five years. After becoming practically stabilized at an annual rate of 30% in the first half of the year, inflation rose sharply in the third quarter, largely as a consequence of the devaluation of the peso adopted at the end of June. This unexpected increase in the exchange rate not only directly raised the price of marketable goods but also adversely affected expectations as to the course of prices, the 39% increase in which at the end of the year more than exceeded the 30% registered in 1978.

Although partly caused by administrative measures aimed at correcting the distortions created by the lag in the prices of some food articles and public service tariffs, the doubling of the inflation rate in Brazil from 38% in 1978 to 76% in 1979 was also due in part to the policy of devaluations of the cruzeiro. This policy - directed at reducing the external account disequilibrium - aimed at and achieved the raising of the real exchange rate through a combination of 18 mini-devaluations effected in the course of the year and a special devaluation of the cruzeiro of around 30% at the beginning /of December.

of December. As a result of this large increase in the exchange rate, prices rose by over 7% during that month and the rate of inflation speeded up, notably in the next few months.

In Argentina the exchange rate on the contrary contributed to reducing the rate of inflation. So as to direct and diminish the substantial inflationary expectations generated in the previous four years, during which price levels increased 136-fold, the authorities fixed the exchange rate in advance, and raised it monthly in proportions which decreased from slightly over 5% in January to around 3% in December. With the same object, they also pre-established increases on a decreasing scale in the tariffs and prices which the State enterprises could charge throughout the year. Partly as a consequence of these measures, the rate of increase of prices - particularly wholesale prices - began to decline in the last three months of the year. This drop was also decisively influenced by the turnabout in the trend of meat prices, which after rising at a monthly rate of 13% up to August, dropped as from September, mainly as the result of changes which took place in the international market.

The application of a very similar exchange policy in Uruguay did not, however, prevent inflation from re-emerging with vigour in that country and rising from 46% in 1978 to 83% in 1979. As in the case of Argentina, the Central Bank of Uruguay announced in January the rates of exchange at which it would buy or sell foreign currency in the course of the year. Simultaneously, and with the same aim of moderating expectations as to the future course of inflation, a programme of wage increases and the increases which would occur in public service tariffs was published. However, after a few months it was necessary to change the increases programmed in wages and salaries and tariffs since real inflation not only appreciably exceeded that anticipated but was also much higher than that registered the previous year. There were three main factors which influenced this speeding up of inflation and the frustration of the policy aimed at reducing it. The first was a rise far larger than anticipated in international inflation and particularly the increase of over 47% in the average price in dollars paid by Uruguay for its imports of oil. The second was the still larger increase (58%) in 1979 in the price of meat exports, the bull effect of which on the

/domestic price

domestic price of this product which carries great weight in the consumer price index was strengthened by the liberalization of trade in it. Lastly, the third and most important factor in the exacerbation of inflation was the very considerable growth of aggregate demand. This increased not only because of the far more dynamic evolution of consumption and domestic investment but also because of the exceptional increase in the purchases made by Argentinian tourists and the substantial investments in the construction sector by residents of that country, all of these operations which were strongly stimulated by the very uneven evolution of the real exchange rate in both countries.

In contrast to the experiences of Argentina, Bolivia, Brazil and Chile, where the exchange policy substantially influenced the course of inflation, the resurgence of inflation in Colombia, the maintenance of a high rate of inflation in Peru and above all the notable speeding up of the rate of price-growth in Venezuela were affected far more severely by the decisions aimed at correcting some distortions in the price system.

The effect of the readjustment of a considerable number of prices which had lagged behind in previous years was particularly strong in Venezuela. In that country, as a result of the extraordinary increase in earnings caused by the exceptional rise in the international price of oil in 1974, and with the aim of diminishing the inflationary effects of the consequent rise in demand, the system of fixing and monitoring prices was extended and considerably strengthened as from that year and subsidies multiplied. Although these measures contributed to moderating the rate of inflation of the next few years, they also generated substantial disequilibria in the price system and distortions in the allocation of resources and also required the disbursement of far larger funds for financing the system of subsidies. However, this policy underwent a radical change in mid-1979 when the new authorities adopted a series of measures aimed at liberalizing the functioning of the price system by reducing the fiscal load which the subsidies represented. In line with this policy, price control was only maintained over those products which were considered most essential or which were produced or marketed in rather uncompetitive markets. This meant that of the 158 items controlled or regulated up to

/that time,

that time, only 37 remained under control and none were regulated. The immediate consequence of this policy and of the simultaneous suppression of some subsidies was a sharp rise in prices, particularly of food and clothing. These increased steeply as from August and by the end of 1979 were 34 and 40% higher, respectively, than a year earlier. The consumer price index in turn rose by slightly over 20% in the course of the year, while wholesale prices increased by 40%, thus tripling in both cases their variations in 1978.

The measures to correct some distortions in the price system also influenced - although to a much lesser degree than in Venezuela - the increase in inflation in Colombia, which in 1979 achieved an almost unprecedented rate of nearly 30%, which amply exceeded that of slightly under 18% registered the previous year. Partly as a consequence of the policy of gradually raising domestic fuel prices to a level closer to that of their international price, and partly because of the increase in the latter during 1979, the price of the fuels and lubricants included in the wholesale price index rose by 63%, that of petroleum products by 73% and that of transport and communications in the consumer price index by 47%. The inflationary effect of these increases on production costs was reinforced by that stemming from the readjustment in minimum real wages, which went up at the beginning of 1979 by nearly 34% in the metropolitan areas, over 30% in the urban centres and nearly 43% in primary activities.

The corrective readjustments in the price system also affected the rate of inflation in Peru, which only dropped from 74% in 1978 to 67% in 1979, despite the maintenance of a restrictive wage policy, the constraint on domestic credit in real terms and a marked cut in the fiscal deficit. In fact, the anti-inflationary consequences of these policies were countered to a considerable extent by those stemming from the reduction of the average of the price control system, the readjustments in the official prices of a series of basic consumer goods and services, the increases decreed for the prices of energy and petroleum products and the tendency to bring the domestic prices of certain goods to the same level as were obtained by their producers in selling them abroad; these in turn rose considerably as a result of the substantial subsidies granted to exports.

/The factors

The factors determining the sharp increase in inflation in the Dominican Republic and the exceptional increase of over 70% in the level of consumer prices in Nicaragua were, however, very different.

In the former country - where the rate of price increases rose from less than 2% in 1978 to over 26% in 1979 - the main reason why the pace of inflation increased was the damage caused by a series of natural disasters. These began in the middle of the year with heavy rains and floods which mainly affected agriculture, continued in August when hurricane David devastated one of the country's richest rural regions, and concluded at the beginning of September when tropical storm Fredrick caused further floods in the cane plantations and the areas devoted to crops for domestic consumption, caused damage in irrigation canals, roads and buildings and occasioned losses in livestock and poultry. As a result of this damage, agricultural supply dropped sharply and the government increased its spending so as to facilitate the reconstruction of the areas and activities devastated. Both facts contributed to generating large-scale increases in prices in the last few months of the year and the first had a particularly marked effect on the prices of food, which were nearly 42% higher at the end of 1979 than a year earlier.

In Nicaragua, the sharp rise in the rate of inflation from slightly over 4% in 1978 to 70% in 1979 basically constituting a consequence of the socio-political conflict which began in 1978 and culminated in July with the overthrow of the previous government following a bloody civil war. During the first five months of the year prices rose by 26% mainly as a consequence of the devaluation of the cordoba by more than 40% adopted in April and a growing lack of supply of both domestic and imported products. Moreover, when warlike activities throughout the country, became more widespread and more acute these prices only in June rose by 43%.

The accumulated increase in prices in the first half of the year was thus over 84%. However, this trend was inverted when the new government took over, partly because it endeavoured through State intervention to freeze the prices of certain basic articles, partly owing to a relative improvement in food supply and partly thanks to the donations received in kind from abroad. During the second half of the year, therefore, consumer prices dropped by nearly 8%.



Table 1

## GROWTH RATES OF WORLD COMMODITY PRODUCTION

|               | 1963-<br>1973 | 1974       | 1975        | 1976       | 1977       | 1978       | 1979(a)    |
|---------------|---------------|------------|-------------|------------|------------|------------|------------|
| <b>Total</b>  | <b>6.1</b>    | <b>2.8</b> | <b>-1.1</b> | <b>7.1</b> | <b>4.6</b> | <b>4.4</b> | <b>3.0</b> |
| Agriculture   | 2.5           | 1.6        | 3.1         | 2.2        | 1.5        | 3.6        | ...        |
| Mining        | 5.5           | 1.8        | -1.7        | 5.9        | 5.5        | 2.1        | 2.0        |
| Manufacturing | 7.0           | 3.1        | -1.5        | 8.0        | 5.1        | 4.9        | 5.0        |

Source: Derived from data in GATT, *International Trade, 1978-1979*, Geneva, 1979, table A.1, and GATT, *Press Release No. 1 256*, February 1980.

(a) Preliminary figures.

Table 2

## WORLD: GROWTH RATES OF OUTPUT

|   | 1967-<br>1972 | 1973        | 1974       | 1975        | 1976        | 1977       | 1978       | 1979(a)    |
|---|---------------|-------------|------------|-------------|-------------|------------|------------|------------|
| <b>Industrialized countries (b)</b>               | <b>4.4</b>    | <b>6.3</b>  | <b>0.5</b> | <b>-0.4</b> | <b>5.2</b>  | <b>3.7</b> | <b>3.9</b> | <b>3.3</b> |
| United States                                     | 3.0           | 5.4         | -1.3       | -1.0        | 5.5         | 4.8        | 4.4        | 2.3        |
| West Germany                                      | 5.2           | 4.9         | 0.5        | -2.1        | 5.6         | 2.8        | 3.5        | 4.4        |
| Japan   | 10.4          | 9.8         | -1.0       | 2.4         | 6.0         | 5.4        | 5.6        | 6.1        |
| United Kingdom                                    | 1.8           | 8.0         | -1.5       | -1.0        | 3.7         | 1.3        | 3.3        | 0.8        |
| France  | 5.8           | 5.4         | 3.2        | 0.2         | 4.9         | 2.8        | 3.3        | 3.0        |
| <b>Major oil exporters (c)</b>                    | <b>9.0</b>    | <b>10.7</b> | <b>8.0</b> | <b>-0.3</b> | <b>12.8</b> | <b>6.2</b> | <b>2.6</b> | <b>2.0</b> |
| <b>Non-oil exporting developing countries (d)</b> | <b>6.1</b>    | <b>7.3</b>  | <b>5.3</b> | <b>4.1</b>  | <b>5.0</b>  | <b>5.1</b> | <b>5.2</b> | <b>5.1</b> |
| Africa (e)  | 5.0           | 2.2         | 5.6        | 2.3         | 4.7         | 4.0        | 3.7        | ...        |
| Asia  | 4.8           | 7.9         | 2.7        | 6.1         | 5.8         | 6.6        | 6.9        | ...        |
| Latin America                                     | 6.8           | 8.1         | 7.7        | 2.6         | 4.8         | 4.3        | 4.3        | 6.5(f)     |
| Middle East (g)                                   | 8.8           | 4.8         | -1.0       | 8.4         | 2.8         | 5.9        | 6.5        | ...        |

Source: OECD, *Economic Outlook*, No. 26, December 1979; IMF, *Annual Report*, 1979; UNCTAD, *World Economic Outlook, 1980-1981*, TD/B/783, March, 1980; and CEPAL calculations.

(a) Preliminary figures.

(b) OECD member countries.

(c) Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

(d) Members of the IMF.

(e) Includes South Africa.

(f) Estimate by CEPAL.

(g) Includes Israel.

Table 3

## INDUSTRIALIZED COUNTRIES: UNEMPLOYMENT RATES

|                | Averages  |           | 1979(a) |
|----------------|-----------|-----------|---------|
|                | 1964-1973 | 1974-1978 |         |
| OECD (b)       | 3.0       | 4.9       | 5.1     |
| United States  | 4.4       | 6.8       | 5.7     |
| Japan          | 1.2       | 1.9       | 2.2     |
| West Germany   | 0.7       | 3.2       | 3.0     |
| France         | 2.2       | 4.3       | 6.1     |
| United Kingdom | 3.1       | 4.9       | 5.6     |

Source: OECD, *Economic Outlook*, No. 26, December 1979, p.26.

(a) Third quarter of 1979.

(b) Represents about 90 per cent of the OECD area.

Table 4

COMMERCIAL BANK LENDING RATES TO PRIME BORROWERS  
IN SELECTED INDUSTRIALIZED COUNTRIES  
(End of December figures, percentages)

|                | 1976  | 1977  | 1978  | 1979  |
|----------------|-------|-------|-------|-------|
| United States  | 6.00  | 7.75  | 11.75 | 15.25 |
| Japan          | 7.42  | 5.47  | 4.50  | 6.31  |
| West Germany   | 6.50  | 6.00  | 5.50  | 9.75  |
| France         | 11.65 | 11.35 | 10.95 | 13.65 |
| United Kingdom | 15.50 | 8.00  | 13.50 | 18.00 |

Source: Morgan Guaranty Trust Company, World Financial Markets, January 1980, p. 20.

Table 5

INDUSTRIALIZED COUNTRIES: CONSUMER PRICES  
(Percentage annual average change)

|                              | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979(a) |
|------------------------------|------|------|------|------|------|------|------|------|------|---------|
| Industrialized countries (b) | 5.6  | 5.3  | 4.8  | 7.9  | 13.4 | 11.4 | 8.6  | 8.7  | 7.9  | 8.5     |
| United States                | 5.9  | 4.3  | 3.3  | 6.2  | 11.0 | 9.1  | 5.8  | 6.5  | 7.7  | 11.3    |
| West Germany                 | 3.4  | 5.3  | 5.5  | 6.9  | 7.0  | 6.0  | 4.5  | 3.9  | 2.6  | 4.1     |
| Japan                        | 7.7  | 6.1  | 4.5  | 11.7 | 24.5 | 11.8 | 9.3  | 8.1  | 3.8  | 3.6     |
| United Kingdom               | 6.4  | 9.4  | 7.1  | 9.2  | 16.0 | 24.2 | 16.5 | 15.9 | 8.3  | 13.4    |
| France                       | 4.8  | 5.5  | 6.2  | 7.3  | 13.7 | 11.8 | 9.6  | 9.4  | 9.1  | 10.7    |

Source: OECD, Economic Outlook, No. 26, December 1979; IMF, International Financial Statistics, April 1980, and UNCTAD, World Economic Outlook, 1980-1981, TD/B/783, March 1980.

(a) Preliminary figures.

(b) OECD members.

Table 6

GROWTH RATES OF WORLD EXPORTS

|              | 1964-<br>1973 | 1974  | 1975 | 1976 | 1977 | 1978 | 1979(a) |
|--------------|---------------|-------|------|------|------|------|---------|
| Value        | 14.06         | 45.7  | 4.4  | 13.5 | 13.4 | 15.9 | 25.0    |
| Agriculture  | 10.4          | 22.3  | 1.4  | 10.7 | 13.9 | 12.7 | ...     |
| Minerals     | 14.0          | 124.0 | -3.7 | 16.4 | 9.5  | 3.8  | ...     |
| Manufactures | 15.5          | 32.3  | 9.2  | 13.0 | 14.5 | 21.6 | ...     |
| Unit value   | 4.9           | 41.0  | 7.5  | 2.1  | 8.8  | 10.0 | 18.0    |
| Agriculture  | 6.4           | 27.0  | -4.3 | 2.2  | 10.9 | 5.1  | ...     |
| Minerals     | 6.7           | 131.8 | 3.4  | 10.9 | 7.8  | 2.4  | ...     |
| Manufactures | 4.3           | 21.7  | 14.6 | -    | 9.4  | 14.7 | ...     |
| Volume       | 8.7           | 3.5   | -2.9 | 11.2 | 4.3  | 5.6  | 7.0     |
| Agriculture  | 3.9           | -3.4  | 4.9  | 9.4  | 1.8  | 7.8  | ...     |
| Minerals     | 6.9           | -2.6  | -7.4 | 4.5  | 2.2  | 1.1  | ...     |
| Manufactures | 10.9          | 8.6   | -4.6 | 13.1 | 4.9  | 5.5  | ...     |

Source: Derived from data in GATT, International Trade, 1978-1979, Geneva, 1979, table A.1, and GATT, Press Release, No. 1 256, 15 February 1980.

(a) Preliminary estimates.

Table 7  
EXPORTS, IMPORTS AND TRADE BALANCES (a)  
OF SELECTED GROUPS OF COUNTRIES (b)  
(Billions of dollars)

|  | 1973                 | 1974 | 1975 | 1976 | 1977 | 1978 | January-<br>September<br>1978 | 1979 |
|--|----------------------|------|------|------|------|------|-------------------------------|------|
|  | <u>Exports (FOB)</u> |      |      |      |      |      |                               |      |
| Industrialized countries (c)               | 409                  | 544  | 574  | 639  | 725  | 869  | 622                           | 763  |
| Major oil exporters (d)                    | 39                   | 118  | 109  | 133  | 145  | 141  | 103                           | 141  |
| Non-oil exporting developing countries (e) | 67                   | 98   | 94   | 116  | 135  | 153  | 111                           | 142  |
|  | <u>Imports (CIF)</u> |      |      |      |      |      |                               |      |
| Industrialized countries (c)               | 426                  | 606  | 602  | 694  | 787  | 908  | 655                           | 832  |
| Major oil exporters (d)                    | 20                   | 34   | 51   | 63   | 84   | 99   | 70                            | 66   |
| Non-oil exporting developing countries (e) | 80                   | 131  | 138  | 145  | 161  | 196  | 142                           | 175  |
|  | <u>Trade balance</u> |      |      |      |      |      |                               |      |
| Industrialized countries (c)               | -17                  | -62  | -28  | -55  | -62  | -39  | -33                           | -69  |
| Major oil exporters (d)                    | 19                   | 84   | 58   | 70   | 61   | 42   | 33                            | 75   |
| Non-oil exporting developing countries (e) | -13                  | -33  | -44  | -29  | -26  | -43  | -31                           | -33  |

Source: IMF, International Financial Statistics, April 1980.

(a) Goods.

(b) Due to unavailability of comparable data, these estimates exclude the centrally planned economies. The also exclude South Africa.

(c) OECD members.

(d) Algeria, Indonesia, Iran, Iraq, Libya, Nigeria, Saudi Arabia, United Arab Emirates and Venezuela.

(e) Members of IMF.

Table 8  
INDICES OF MARKET PRICES OF PRINCIPAL COMMODITY EXPORTS OF DEVELOPING COUNTRIES  
(Index, 1972 = 100)

|   | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979(a) |
|---|------|------|------|------|------|------|------|---------|
| Food and tropical beverages   | 85   | 137  | 242  | 195  | 210  | 292  | 237  | 252     |
| Vegetable oilseeds and oils   | 117  | 180  | 316  | 184  | 179  | 232  | 260  | 301     |
| Agricultural raw materials  | 90   | 169  | 201  | 165  | 197  | 210  | 232  | 285     |
| Minerals, ores and metals   | 114  | 145  | 202  | 170  | 167  | 176  | 187  | 241     |
| General index   | 95   | 148  | 229  | 182  | 195  | 244  | 226  | 256     |
| <u>Memorandum item</u>  |      |      |      |      |      |      |      |         |
| General index deflated by unit prices of manufactured exports of the industrialized countries | 107  | 125  | 160  | 113  | 120  | 139  | 114  | 112     |

Source: Derived from data in UNCTAD, Monthly commodity price bulletin, UNCTAD/CD/CPB/92/Rev.2 and UNCTAD/CD/CPB/127; and United Nations, Monthly Bulletin of Statistics, March 1980.

(a) Preliminary estimates.

Table 9  
CURRENT ACCOUNT OF BALANCE OF PAYMENTS  
OF SELECTED GROUPS OF COUNTRIES (a)  
(Billions of dollars)

|  | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979(b) |
|--|------|------|------|------|------|------|---------|
| Industrialized countries (c)               | 19   | -17  | 12   | -6   | -10  | 28   | -9      |
| OPEC countries                             | 6    | 68   | 35   | 40   | 32   | 6    | 60      |
| Non-oil exporting developing countries (d) | -11  | -30  | -38  | -26  | -21  | -31  | -50     |
| Centrally planned economies                | 1    | -4   | -10  | -7   | -3   | -7   | -3      |

Source: OECD, Economic Outlook, No. 26, December 1979; IMF, Annual Report, 1979; GATT, Press Release, No. 1256, February 1980; and CEPAL on the basis of official data.

(a) Goods, services and private transfers. Data are not directly comparable to those presented in table 7, due to different data sources and country groupings.

(b) Preliminary figures.

(c) OECD members.

(d) Includes Israel and South Africa.

Table 10

## DISBURSED COMMERCIAL BANK DEBT OF NON-OIL EXPORTING DEVELOPING COUNTRIES (a)(b)

|                        | 1975  | 1976  | 1977  | 1978(b) | 1979(c) |
|------------------------|-------|-------|-------|---------|---------|
| <b>Latin America</b>   |       |       |       |         |         |
| Gross                  | 38.4  | 51.1  | 56.6  | 79.4    | 89.9    |
| Net (d)                | 26.2  | 33.5  | 35.9  | 48.2    | 57.4    |
| <b>Africa</b>          |       |       |       |         |         |
| Gross                  | 2.3   | 3.2   | 4.3   | 12.0    | 11.8    |
| Net (d)                | -1.1  | -0.9  | -1.2  | 5.5     | 4.3     |
| <b>Asia</b>            |       |       |       |         |         |
| Gross                  | 11.1  | 13.0  | 16.9  | 25.4    | 29.9    |
| Net (d)                | 1.3   | -0.2  | -2.3  | 3.9     | 4.7     |
| <b>Middle East (e)</b> |       |       |       |         |         |
| Gross                  | 1.0   | 1.5   | 1.4   | 3.1     | 3.2     |
| Net (d)                | -2.0  | -2.3  | -4.0  | -4.4    | -4.3    |
| <b>Eastern Europe</b>  |       |       |       |         |         |
| Gross                  | 12.2  | 15.6  | 20.0  | 34.5    | 37.4    |
| Net (d)                | 8.7   | 12.4  | 16.8  | 29.8    | 32.2    |
| <b>Memorandum item</b> |       |       |       |         |         |
| <b>World (f)</b>       |       |       |       |         |         |
| Gross                  | 441.7 | 547.6 | 657.3 | 903.0   | 1 041.5 |

Source: Derived from annual reports and periodic statements of the Bank for International Settlements (BIS).

- (a) Includes short-term debt. Country groups exclude offshore financial centres and residual estimates of the BIS.  
 (b) Year-to-year growth rates can be due in part to increased reporting by the banks. In the year 1978 there was a marked expansion of coverage.  
 (c) Preliminary data for September 1979.  
 (d) Total debt less deposits in the banks.  
 (e) Excludes Israel.  
 (f) Includes industrialized countries, oil exporters and offshore financial centres as well as the non-oil exporting developing countries.

Table 11

PUBLICIZED EUROCREDITS  
(Millions of dollars or equivalent)

|  | 1974   | 1975   | 1976   | 1977   | 1978   | January-<br>September<br>(a)<br>1979 |
|--|--------|--------|--------|--------|--------|--------------------------------------|
| <b>Total</b>   | 28 508 | 20 554 | 28 703 | 34 185 | 72 025 | 48 557                               |
| Industrialized countries (b)                           | 19 531 | 6 591  | 10 960 | 13 786 | 34 710 | 16 920                               |
| Developing oil exporters                               | 794    | 3 213  | 3 683  | 6 125  | 10 618 | 6 471                                |
| Non-oil developing countries                           | 6 562  | 7 179  | 10 559 | 11 246 | 21 977 | 17 692                               |
| Centrally planned countries                            | 1 115  | 2 663  | 2 371  | 2 691  | 3 744  | 6 357                                |
| Others   | 506    | 908    | 1 130  | 337    | 976    | 1 117                                |
| <b>Memorandum item</b>                                 |        |        |        |        |        |                                      |
| Developing countries as<br>percentage of total         | 25.8   | 50.6   | 49.6   | 50.8   | 45.3   | 49.8                                 |
| Non-oil developing countries<br>as percentage of total | 23.0   | 34.9   | 36.8   | 32.9   | 30.5   | 36.4                                 |

Source: Derived from data in World Bank, Borrowing In International Capital Markets (various issues).

- (a) Preliminary figures.  
 (b) OECD plus South Africa.

Table 12

INTERNATIONAL BOND PLACEMENTS  
(Millions of dollars or equivalent)

|                              | 1974   | 1975   | 1976   | 1977   | 1978   | January-<br>September<br>(a)<br>1979 |
|------------------------------|--------|--------|--------|--------|--------|--------------------------------------|
| Total                        | 12 275 | 22 821 | 34 311 | 36 094 | 37 316 | 29 697                               |
| Industrialized countries (b) | 5 908  | 16 174 | 23 573 | 23 536 | 23 332 | 20 185                               |
| Developing oil exporters     | 67     | 68     | 177    | 794    | 1 865  | 414                                  |
| Non-oil developing countries | 161    | 454    | 1 366  | 2 751  | 2 868  | 2 135                                |
| Centrally planned economies  | 40     | 201    | 72     | 256    | 30     | 48                                   |
| International organizations  | 5 390  | 5 330  | 8 256  | 7 160  | 8 425  | 6 281                                |
| Others                       | 709    | 594    | 867    | 1 597  | 796    | 634                                  |

Source: Derived from data in World Bank, Borrowing In International Capital Markets (various issues).

(a) Preliminary figures.

(b) OECD members plus South Africa.

Table 13

AVERAGE WEIGHTED SPREAD ON VARIABLE-INTEREST EUROCURRENCY  
LOANS TO DEVELOPING COUNTRIES (a)  
(Percentage distribution)

| Spread over<br>libor<br>(per cent) | 1975  | 1976  | 1977  | 1978  | 1979  |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
|                                    |       |       |       |       | I     | II    | III   |
| Up to 0.50                         | -     | -     | 0.2   | 1.5   | 4.1   | 8.1   | 7.5   |
| 0.501 - 1.00                       | -     | -     | 19.1  | 46.0  | 62.1  | 73.6  | 73.7  |
| 1.001 - 1.50                       | 37.7  | 32.8  | 28.6  | 37.6  | 30.7  | 13.5  | 14.9  |
| 1.501 - 2.00                       | 59.1  | 58.9  | 46.4  | 12.1  | 2.2   | 3.8   | 4.0   |
| 2.001 - 2.25                       | 2.6   | 7.0   | 3.0   | 1.7   | 0.2   | 0.3   | -     |
| 2.251 and over                     | 0.2   | 1.2   | 2.6   | 0.3   | 0.5   | 0.2   | -     |
| Unknown                            | 0.3   | 0.1   | 0.1   | 0.8   | 0.2   | 0.5   | -     |
| Total                              | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Derived from data in World Bank, Borrowing In International Capital Markets, (various issues).

(a) Note that the World Bank classification of developing countries employed in this table includes countries previously classified as OECD members, such as Spain, Portugal, Turkey and Greece.

Table 14

AVERAGE WEIGHTED MATURITY OF EUROCURRENCY LOANS TO DEVELOPING COUNTRIES (a)  
(Percentage distribution)

| Years of<br>maturity | 1975  | 1976  | 1977  | 1978  | 1979  |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|-------|
|                      |       |       |       |       | I     | II    | III   |
| 1 - 3                | 5.7   | 2.3   | 3.9   | 2.8   | 5.6   | 5.7   | 4.2   |
| 3 - 5                | 62.9  | 54.8  | 19.4  | 5.0   | 2.5   | 4.0   | 5.8   |
| 5 - 7                | 24.1  | 30.0  | 63.9  | 27.4  | 3.6   | 6.8   | 10.1  |
| 7 - 10               | 3.3   | 4.5   | 8.8   | 55.2  | 63.7  | 67.5  | 60.5  |
| 10 and over          | 1.7   | -     | -     | 6.3   | 14.8  | 9.4   | 14.0  |
| Unknown              | 2.3   | 8.5   | 4.0   | 3.4   | 9.8   | 6.6   | 5.3   |
| Total                | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: World Bank, Borrowing In International Capital Markets, (various issues).

(a) Note that the World Bank classification of developing countries employed in this table includes countries previously classified as OECD members, such as Spain, Portugal, Turkey and Greece.

Table 15

ANNUAL RANGE OF MONTHLY EURODOLLAR  
BASE INTEREST RATE (a)  
(Per cent)

| Year     | Highest<br>monthly<br>rate | Lowest<br>monthly<br>rate |
|----------|----------------------------|---------------------------|
| 1974     | 14.06                      | 8.50                      |
| 1975     | 8.69                       | 6.63                      |
| 1976     | 7.25                       | 5.31                      |
| 1977     | 7.50                       | 5.44                      |
| 1978     | 12.31                      | 7.62                      |
| 1979 (b) | 12.75                      | 10.50                     |

Source: World Bank, Borrowing In International Capital Markets, (various issues).

(a) Prime banks six months bid rates in London.

(b) January-September.

Table 16

MEXICAN AND VENEZUELAN PROPOSALS FOR RESOURCE TRANSFERS TO DEVELOPING COUNTRIES

| Features                | Mexican long-term<br>recycling facility   | Venezuelan plan for<br>joint OPEC/OECD<br>global stimulation   |
|-------------------------|---|--|
| Amount/Size             | US\$ 15 billion   | Not specified, but in range of<br>20-40 billion  |
| Timeframe               | Long term   | 5-10 years, commencing before<br>1980  |
| Objective               | To increase the supply of long-term funds to the LDCs for financing capital goods purchases.  | To mobilize unused savings in OPEC and the OECD into a capital pool and to invest these funds in the non-oil LDCs in such a way as to increase their purchases of exports from the industrial nations; to head off medium-term international supply shortages; and to implement structural adjustment plans in the OECD.   |
| Problem Focus           | <ol style="list-style-type: none"> <li>1. Low long-term growth rates in DCs are slowing world trade, fostering protectionism, and leading to sluggish demand for capital goods of DCs.</li> <li>2. LDCs have potential demand for capital goods not made effective for lack of financing.</li> <li>3. The high level of financing by the international banking system cannot be sustained in the future.</li> <li>4. There are short- and medium-term recycling facilities for balance-of-payments adjustments but none for the longer term.</li> </ol> | <ol style="list-style-type: none"> <li>1. With simultaneous unemployment and inflation together with declining profitability and productivity in DC industries, OECD capital formation is lagging and there is a trend towards long-term stagnation.</li> <li>2. OPEC recycling could be longer-term.</li> <li>3. There are serious policy lags in DCs and LDCs regarding macro-economic management and international economic coordination.</li> <li>4. The Third World could be a new source of sustained demand - a new growth frontier for the world economy.</li> <li>5. There is a need to alleviate the poverty and debt problems of the LDCs.</li> </ol> |
| Sources of Funds        | Public and private investors of countries with strong balance-of-payments and financial positions (including institutional investors).  | <ol style="list-style-type: none"> <li>1. Underutilized savings in OPEC and OECD: 20-25% from OPEC's accumulated petrodollar earnings, and the rest from private investors.</li> <li>2. Contributions from OECD nations to World Bank (additional or reallocation).</li> </ol>   |
| Administration of Funds | New lending operation at the World Bank.  | Special window at World Bank and IFC, and/or regional institutions.  |

## Main Characteristics

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. OPEC money would be raised through the issue of "OPEC Development Bonds" in international capital markets. OPEC would purchase 20-25% of the total subscription of long-term Triple A bonds (12-20 years maturities).</li> <li>2. The remainder would be sold to private investors in capital markets.</li> <li>3. OPEC would act as first guarantor, with the World Bank family as the second.</li> <li>4. Funds would be targeted to purchases in OECD sectors operating at low capacity utilization levels; in the medium term funds would be targeted to international sectors where supply shortages are likely.</li> <li>5. In the third year, intensified domestic structural adjustment efforts would commence.</li> <li>6. About 20-25% of the funds would go to poorest LDCs.</li> </ol> | <ol style="list-style-type: none"> <li>1. Total capital subscription of the facility could be divided into three borrowing operations of US\$ 5 billion each.</li> <li>2. Debt instruments denominated in SDRs would be issued to lenders for a 15-year term with a market rate of interest.</li> <li>3. Secondary market would be developed to give liquidity to these instruments.</li> <li>4. Governments not contributing direct loans could guarantee loans granted by the facility.</li> <li>5. Purchases of DC capital goods financed by the facility would be limited to countries granting loans or guarantees.</li> <li>6. Capital goods would be purchased in connexion with specific projects approved in LDCs by the World Bank. Loans could be extended to national private firms operating in LDCs.</li> </ol> |
|--|---|

|                         |   |  |
|-------------------------|---|--|
| Sector Investment Focus | <ol style="list-style-type: none"> <li>1. Basic need projects in the poorest LDCs (20-25% of funds).</li> <li>2. Projects that generate a rate of return equivalent to that of AAA Bonds.</li> <li>3. Targeting in the short term of OECD industries operating at low capacity utilization.</li> <li>4. Targeting in the medium term on supply sectors where there could be shortages.</li> </ol> | Projects that require long-term capital purchases from OECD countries. |
|-------------------------|---|--|

|                        |   |   |
|------------------------|---|---|
| Country/Regional Focus | (All LDCs).   | (Middle-income LDCs).   |
| Benefits               | <ol style="list-style-type: none"> <li>1. Would increase OECD-wide capital formation.</li> <li>2. Would expand demand for goods from OECD industrial sectors with excess capacity.</li> <li>3. Would have positive employment impacts and be less inflationary than current OECD domestic demand stimulation, because it would absorb liquid or near-liquid assets, and would be targeted to OECD industrial sectors operating at low capacity utilization levels.</li> <li>4. Would alleviate the need for immediate structural adjustment in many DCs.</li> <li>5. Would help LDCs' debt and poverty problems.</li> </ol> | <ol style="list-style-type: none"> <li>1. Would contribute to the stimulation of capital goods sectors in DCs that suffer from inadequate demand, and would also facilitate structural adjustments in DCs.</li> <li>2. Would provide necessary long-term resources for LDCs to finance their demand for capital goods.</li> <li>3. Would provide an additional investment outlet for surplus countries.</li> <li>4. Would help develop a better structure of assets and liabilities in the financial system.</li> </ol> |

Source: Overseas Development Council.

Table 17

## LATIN AMERICA: MAIN ECONOMIC INDICATORS(a)

|   | 1970   | 1971   | 1972   | 1973   | 1974    | 1975    | 1976    | 1977    | 1978    | 1979(b) |
|---|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
| <u>Basic economic indicators</u>  |        |        |        |        |         |         |         |         |         |         |
| Gross domestic product at factor cost<br>(billions of dollars at 1970 prices) | 172    | 183    | 196    | 213    | 228     | 235     | 246     | 257     | 269     | 286     |
| Population (millions)   | 265    | 273    | 280    | 287    | 294     | 302     | 310     | 318     | 326     | 335     |
| Per capita gross domestic product<br>(dollars at 1970 prices)                 | 648    | 673    | 702    | 741    | 773     | 778     | 792     | 808     | 824     | 857     |
| <u>Growth rates</u>   |        |        |        |        |         |         |         |         |         |         |
| <u>Short-term economic indicators</u>   |        |        |        |        |         |         |         |         |         |         |
| Gross domestic product  | 6.9    | 6.9    | 7.0    | 8.3    | 7.0     | 3.3     | 4.6     | 4.6     | 4.7     | 6.5     |
| Per capita gross domestic product   | 4.0    | 4.1    | 4.3    | 5.5    | 4.3     | 0.6     | 1.9     | 1.9     | 2.0     | 4.0     |
| Terms of trade  | 3.3    | -2.6   | 3.0    | 12.5   | 15.0    | -12.4   | 1.6     | 2.4     | -10.0   | 4.8     |
| Current value of exports of goods<br>and services                             | 8.6    | 4.4    | 15.7   | 38.6   | 54.3    | -5.4    | 14.7    | 17.1    | 10.2    | 31.0    |
| Current value of imports of goods<br>and services                             | 13.7   | 10.3   | 13.0   | 28.2   | 64.4    | 7.6     | 4.3     | 13.4    | 14.7    | 25.9    |
| Consumer price index (c)  | 12.2   | 13.3   | 21.2   | 37.0   | 40.7    | 60.3    | 64.3    | 41.9    | 40.5    | 54.9    |
| <u>Millions of dollars</u>  |        |        |        |        |         |         |         |         |         |         |
| <u>External sector</u>  |        |        |        |        |         |         |         |         |         |         |
| Trade balance (goods and services)  | -484   | -1 633 | -1 354 | 621    | -2 095  | -8 519  | -4 174  | -2 813  | -5 914  | -4 033  |
| Oil-exporting countries (d)   | -118   | 285    | 43     | 1 338  | 5 900   | 79      | -175    | -2 005  | -4 336  | 402     |
| Non-oil-exporting countries   | -366   | -1 918 | -1 397 | -718   | -7 995  | -8 597  | -3 998  | -808    | -1 578  | -4 435  |
| Balance on current account  | -3 285 | -4 745 | -4 506 | -3 611 | -7 190  | -14 205 | -10 887 | -11 217 | -16 329 | -18 317 |
| Oil-exporting countries (d)   | -1 387 | -1 185 | -1 315 | -622   | 3 314   | -2 032  | -2 509  | -4 925  | -8 217  | -4 831  |
| Non-oil-exporting countries   | -1 898 | -3 560 | -3 191 | -2 989 | -10 505 | -12 173 | -8 379  | -6 292  | -8 112  | -13 486 |
| Balance of payments position  | 1 354  | 608    | 3 108  | -4 478 | 4 282   | 772     | 3 608   | 4 319   | 6 041   | 7 143   |
| Oil-exporting countries (d)   | 180    | 632    | 486    | 832    | 5 060   | 3 270   | 474     | 755     | -1 287  | 1 903   |
| Non-oil-exporting countries   | 1 174  | -24    | 2 622  | -3 646 | -778    | -2 498  | 4 082   | 3 564   | 7 328   | 5 240   |

Source: CEPAL, on the basis of official data.

(a) The figures for the product, population and income relate to the group of 21 countries included in table 18; the figures for the external sector and prices relate to the same group of countries plus Barbados, Guyana and Trinidad and Tobago.

(b) Preliminary figures.

(c) Variation from December to December.

(d) Unlike the classification used in earlier Economic Surveys, in which Mexico was included among non-oil-exporting countries, in the present Survey Mexico is included in the group of oil-exporting countries.

Cuadro 18

LATIN AMERICA: EVOLUTION OF THE GROSS DOMESTIC PRODUCT  
(Growth rates)

|                    | 1970-1974 | 1975  | 1976 | 1977 | 1978 | 1979(a) |
|--------------------|-----------|-------|------|------|------|---------|
| Argentina          | 4.9       | -0.9  | -1.7 | 4.9  | -3.4 | 8.5     |
| Bolivia            | 5.8       | 5.3   | 6.8  | 4.0  | 3.3  | 1.5     |
| Brazil             | 11.5      | 5.7   | 9.0  | 4.7  | 6.0  | 6.4     |
| Colombia           | 6.9       | 4.3   | 4.2  | 4.7  | 8.8  | 5.3     |
| Costa Rica         | 7.1       | 2.1   | 5.5  | 8.9  | 5.7  | 4.3     |
| Cuba (b)           | 8.7(c)    | 12.3  | 3.5  | 3.1  | 8.2  | 2.4     |
| Chile              | 2.6       | -11.3 | 4.1  | 8.6  | 7.8  | 8.5     |
| Ecuador            | 8.1       | 7.5   | 8.1  | 6.4  | 5.4  | 5.4     |
| El Salvador        | 4.9       | 5.6   | 4.0  | 5.9  | 4.4  | -3.1    |
| Guatemala          | 6.4       | 1.9   | 7.4  | 7.8  | 5.5  | 5.0     |
| Haiti              | 4.7       | 2.2   | 5.3  | 1.3  | 3.9  | 1.9     |
| Honduras           | 3.1       | -1.9  | 6.1  | 5.8  | 7.9  | 5.1     |
| Jamaica            |           | -2.5  | -8.3 | -1.9 | -1.7 | -2.0    |
| Mexico             | 6.2       | 4.1   | 2.1  | 3.3  | 7.0  | 8.0     |
| Nicaragua          | 5.3       | 2.2   | 5.0  | 6.3  | -7.2 | -24.8   |
| Panama             | 5.2       | 0.6   | -1.1 | 3.3  | 3.8  | 4.9     |
| Paraguay           | 6.4       | 5.0   | 7.5  | 11.8 | 10.3 | 9.0     |
| Peru               | 6.6       | 3.3   | 3.0  | -1.2 | -1.8 | 3.8     |
| Dominican Republic | 10.1      | 5.2   | 6.7  | 5.5  | 2.3  | 3.6     |
| Uruguay            | 0.8       | 4.4   | 2.6  | 3.4  | 3.9  | 8.4     |
| Venezuela          | 5.2       | 5.2   | 7.8  | 7.6  | 4.8  | 4.1     |
| Total (d)          | 7.2       | 3.2   | 4.6  | 4.6  | 4.7  | 6.5     |

Source: CEPAL, on the basis of official data.

(a) Preliminary figures subject to revision.

(b) Growth rates refer to the material product, which is the sum of the value of gross output of the agricultural, mining, manufacturing, construction and electricity sectors.

(c) 1971-1974.

(d) Excluding Cuba and Jamaica.



Table 19

## LATIN AMERICA: EVOLUTION OF THE PER CAPITA GROSS DOMESTIC PRODUCT

|                    | Dollars at 1970 prices |       |         | Growth rates |       |      |      |       |         |
|--------------------|------------------------|-------|---------|--------------|-------|------|------|-------|---------|
|                    | 1970                   | 1975  | 1979(a) | 1970-1974    | 1975  | 1976 | 1977 | 1978  | 1979(a) |
| Argentina          | 1 208                  | 1 369 | 1 405   | 3.8          | -2.2  | -3.0 | 3.6  | -4.7  | 7.1     |
| Bolivia            | 294                    | 344   | 362     | 3.3          | 2.4   | 4.1  | 1.4  | 0.7   | -1.1    |
| Brazil             | 450                    | 662   | 773     | 8.6          | 3.1   | 6.3  | 2.1  | 3.5   | 3.9     |
| Colombia           | 528                    | 642   | 728     | 4.4          | 1.9   | 1.7  | 2.2  | 6.2   | 2.7     |
| Costa Rica         | 658                    | 777   | 895     | 4.4          | -0.3  | 3.0  | 6.3  | 3.3   | 1.8     |
| Chile              | 850                    | 759   | 937     | 0.8          | -12.8 | 2.8  | 6.8  | 6.0   | 6.7     |
| Ecuador            | 368                    | 470   | 532     | 5.0          | 4.4   | 4.9  | 3.2  | 2.3   | 2.2     |
| El Salvador        | 390                    | 440   | 436     | 1.8          | 2.5   | 1.0  | 2.8  | 1.4   | -5.9    |
| Guatemala          | 410                    | 462   | 525     | 3.1          | -1.2  | 4.2  | 4.6  | 2.4   | 1.9     |
| Haiti              | 112                    | 123   | 126     | 2.4          | -0.1  | 2.9  | -1.1 | 1.5   | -0.5    |
| Honduras           | 280                    | 267   | 294     | -0.1         | -5.2  | 2.6  | 2.0  | 4.1   | 1.4     |
| Mexico             | 893                    | 999   | 1 066   | 2.8          | 0.7   | -1.2 | -0.1 | 3.5   | 4.4     |
| Nicaragua          | 394                    | 439   | 300     | 2.0          | -1.1  | 1.6  | 2.8  | -10.2 | -27.2   |
| Panama             | 865                    | 924   | 932     | 2.4          | -2.1  | -3.5 | 0.7  | 1.3   | 2.4     |
| Paraguay           | 355                    | 419   | 532     | 3.6          | 2.0   | 4.4  | 8.6  | 7.1   | 5.9     |
| Peru               | 521                    | 603   | 561     | 3.8          | 0.6   | 0.2  | -3.8 | -4.4  | 1.0     |
| Dominican Republic | 337                    | 449   | 483     | 6.9          | 2.3   | 3.9  | 2.8  | -0.3  | 1.0     |
| Uruguay            | 948                    | 977   | 1 142   | 0.6          | 4.2   | 2.2  | 2.8  | 3.3   | 7.7     |
| Venezuela          | 1 163                  | 1 244 | 1 380   | 1.7          | 1.7   | 4.3  | 4.1  | 1.4   | 0.8     |
| Total              | 647                    | 778   | 857     | 4.5          | 0.6   | 1.9  | 1.9  | 2.0   | 4.0     |

Source: CEPAL, estimates on the basis of official figures.

(a) Preliminary figures.

Table 20

## LATIN AMERICA: TOTAL SUPPLY AND DEMAND

|                               | Growth rates (a) |      |      |      |      |         |
|-------------------------------|------------------|------|------|------|------|---------|
|                               | 1970-1974        | 1975 | 1976 | 1977 | 1978 | 1979(b) |
| Total supply                  | 7.6              | 2.8  | 4.1  | 4.9  | 5.0  | 7.0     |
| Gross domestic product        | 7.2              | 3.2  | 4.6  | 4.6  | 4.7  | 6.5     |
| Imports of goods and services | 10.7             | -1.3 | -1.2 | 7.9  | 8.3  | 11.4    |
| Total demand                  | 7.6              | 2.8  | 4.1  | 4.9  | 5.0  | 7.0     |
| Domestic demand               | 8.0              | 3.3  | 3.8  | 4.5  | 5.0  | 6.0     |
| Gross fixed investment        | 8.7              | 9.7  | 4.4  | 5.2  | 5.5  | 8.0     |
| Total consumption (c)         | 7.7              | 1.6  | 3.6  | 4.3  | 4.0  | 6.4     |
| Exports of goods and services | 3.9              | -3.1 | 8.9  | 10.0 | 12.9 | 9.7     |

Source: CEPAL, on the basis of official data.

(a) Calculated on the basis of constant 1970 values.

(b) Preliminary figures.

(c) Includes changes in stocks.

Table 21

LATIN AMERICA: RELATIVE SHARES OF THE COMPONENTS OF EXPENDITURE  
AND OF IMPORTS IN THE GROSS DOMESTIC PRODUCT  
(Percentages)

|      | Total<br>consumption<br>(a) | Gross<br>fixed<br>investment | Exports | Imports |
|------|-----------------------------|------------------------------|---------|---------|
| 1970 | 80.6                        | 19.6                         | 9.0     | 9.2     |
| 1971 | 80.5                        | 19.9                         | 8.6     | 9.0     |
| 1972 | 80.3                        | 20.1                         | 8.6     | 9.0     |
| 1973 | 80.3                        | 20.4                         | 8.7     | 9.4     |
| 1974 | 81.4                        | 21.0                         | 8.2     | 10.6    |
| 1975 | 80.2                        | 22.3                         | 7.7     | 10.2    |
| 1976 | 79.4                        | 22.2                         | 8.0     | 9.6     |
| 1977 | 79.2                        | 22.3                         | 8.4     | 9.9     |
| 1978 | 78.7                        | 22.5                         | 9.0     | 10.2    |
| 1979 | 78.6                        | 22.8                         | 9.3     | 10.7    |

Source: CEPAL, on the basis of official data.

(a) Includes changes in stocks.

Table 22

LATIN AMERICA: EVOLUTION OF THE MAIN ECONOMIC SECTORS  
(Growth rates)

|                    | Agriculture |      |         | Mining and quarrying |       |         | Manufacturing |        |         | Construction |       |         | Subtotal goods (b) |      |         | Basic services (c) |       |         | Other services (d) |         |         |
|--------------------|-------------|------|---------|----------------------|-------|---------|---------------|--------|---------|--------------|-------|---------|--------------------|------|---------|--------------------|-------|---------|--------------------|---------|---------|
|                    | 1977        | 1978 | 1979(a) | 1977                 | 1978  | 1979(a) | 1977          | 1978   | 1979(a) | 1977         | 1978  | 1979(a) | 1977               | 1978 | 1979(a) | 1977               | 1978  | 1979(a) | 1977               | 1978    | 1979(a) |
| Argentina          | 1.2         | 1.7  | 5.0     | 9.5                  | 0.7   | 4.3     | 4.2           | -7.9   | 11.0    | 14.6         | 0.7   | 4.9     | 4.8                | -4.2 | 8.4     | 5.8                | -1.3  | 8.8     | 4.8                | -0.6    | 6.7     |
| Bolivia            | -3.4        | 2.3  | -1.0    | -2.5                 | -7.1  | -8.0    | 6.1           | 5.3    | 2.8     | 5.9          | 4.7   | 2.5     | 0.9                | 2.1  | -0.2    | 13.6               | 6.3   | 3.1     | 5.0                | 4.1     | 3.1     |
| Brazil             | 9.6         | -1.7 | 3.2     | -4.7                 | 6.1   | 9.9     | 2.3           | 7.6    | 7.0     | 9.1          | 9.7   | 3.8     | 4.4                | 6.2  | 5.9     | 6.8                | 8.5   | 10.9    | 2.6                | 5.3     | ...     |
| Colombia           | 2.5         | 9.0  | 4.8     | -3.8                 | 4.4   | -1.5    | 4.2           | 8.4    | 5.8     | 5.7          | 1.9   | -4.0    | 3.3                | 8.1  | 4.4     | 6.5                | 11.5  | 5.5     | 6.1                | 9.0     | 6.3     |
| Costa Rica         | 2.2         | 3.7  | -0.1    | (e)                  | (e)   | (e)     | 12.7(e)       | 6.0(e) | 4.2(e)  | 3.9          | 5.8   | ...     | 6.5                | 4.9  | ...     | 10.6               | 11.1  | ...     | 9.6                | 5.7     | ...     |
| Chile              | 14.1        | -0.5 | 8.6     | 2.0                  | -0.3  | 2.8     | 12.2          | 7.8    | 8.8     | 3.5          | 2.5   | 25.8    | 9.0                | 3.7  | 7.9     | 7.6                | 6.0   | 7.8     | 6.4                | 8.5     | 8.9     |
| Ecuador            | 1.4         | 1.0  | 2.0     | -6.8                 | 9.8   | 5.7     | 14.0          | 12.1   | 10.0    | 4.1          | 5.0   | 2.4     | 4.7                | 6.2  | 5.4     | 11.4               | 8.1   | 7.8     | 6.7                | 4.7     | 5.0     |
| El Salvador        | 3.6         | 6.9  | 1.7     | -8.4                 | -11.5 | 3.0     | 5.5           | 3.0    | -7.5    | 35.6         | 6.2   | -11.2   | 7.0                | 5.3  | -3.0    | 8.7                | 5.0   | -0.4    | 4.1                | 3.5     | -2.9    |
| Guatemala          | 3.9         | 3.9  | 3.7     | 14.8                 | 80.6  | 25.5    | 10.7          | 6.7    | 5.6     | 12.4         | 2.9   | 2.7     | 6.6                | 4.9  | 4.3     | 11.0               | 7.6   | 5.5     | 7.7                | 5.5     | 5.5     |
| Haiti              | -0.4        | 4.9  | 2.0     | -4.7                 | -9.8  | -       | 2.8           | 1.8    | 4.5     | 8.2          | 5.9   | 2.0     | 0.7                | 4.0  | 2.4     | 4.3                | 8.0   | 4.6     | 3.8                | 2.9     | ...     |
| Honduras           | 7.1         | 5.1  | 7.0     | -3.3                 | 3.5   | 3.1     | 9.6           | 10.4   | 5.8     | 6.5          | 9.8   | 6.6     | 7.3                | 7.2  | 6.4     | 4.1                | 9.6   | 4.7     | 4.2                | 8.6     | 3.6     |
| Mexico             | 5.1         | 3.6  | 1.5     | 13.9                 | 10.7  | 12.5    | 3.4           | 9.0    | 8.6     | -2.0         | 13.3  | 11.5    | 4.1                | 8.5  | 7.9     | 6.5                | 10.3  | 11.9    | 1.6                | 5.0     | 7.6     |
| Nicaragua          | 3.6         | 6.5  | -13.0   | -3.7                 | -22.3 | 26.8    | 7.8           | -0.1   | -27.3   | -1.7         | -41.3 | -76.7   | 4.5                | -1.0 | -22.2   | 9.0                | -15.8 | -16.0   | 7.5                | -10.6   | -28.1   |
| Panama             | 7.7         | -0.4 | -1.4    | 8.8                  | -10.4 | 3.0     | 1.0           | 1.3    | 5.4     | 0.2          | -3.8  | 4.1     | 4.4                | -0.4 | 1.4     | 9.6                | 8.8   | 14.4    | 1.3                | 5.3     | 3.5     |
| Paraguay           | 9.4         | 6.0  | 5.8     | 24.1                 | 74.8  | 42.1    | 18.4          | 8.2    | 5.5     | 31.7         | 32.0  | 30.0    | 14.2               | 9.3  | 8.9     | 9.5                | 11.7  | 13.6    | 9.5                | 11.3    | 9.0     |
| Peru               | -0.4        | -0.8 | 3.5     | 27.2                 | 13.5  | 11.7    | -6.5          | -2.1   | 4.0     | -7.7         | -16.1 | 3.7     | -0.4               | -0.7 | 5.3     | (f)                | (f)   | (f)     | -1.4(f)            | -2.8(f) | 2.1(f)  |
| Dominican Republic | 1.7         | 6.5  | -2.7    | -1.2                 | -19.3 | 24.0    | 5.7           | -0.6   | 2.0     | 16.8         | 2.8   | 3.2     | 4.8                | 0.2  | 2.5     | 13.2               | 4.1   | 2.7     | 4.5                | 4.7     | 5.2     |
| Uruguay            | -1.6        | -3.6 | 3.3     | (e)                  | (e)   | (e)     | 6.3(e)        | 6.0(e) | 10.1(e) | 14.6         | 10.8  | 19.9    | 4.9                | 4.0  | 9.6     | 4.3                | 4.5   | 6.1     | 2.0                | 3.8     | 8.3     |
| Venezuela          | 7.6         | 6.6  | 5.0     | -4.8                 | -3.5  | 9.6     | 4.1           | 5.3    | 4.6     | 24.6         | 10.2  | 1.0     | 5.7                | 4.4  | 4.7     | 11.6               | 7.8   | 7.0     | 8.1                | 4.1     | 2.5     |
| Total              | 4.7         | 2.8  | 3.2     | 5.4                  | 4.5   | 9.2     | 3.5           | 4.8    | 7.6     | 7.7          | 7.8   | 5.5     | 4.4                | 4.6  | 6.3     | 7.1                | 6.4   | 8.8     | 3.4                | 4.3     | 5.7     |

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Includes agriculture, mining and quarrying, manufacturing and construction.

(c) Includes electricity, gas and water, and transport and communications.

(d) Includes commerce, restaurants and hotels; financial institutions, insurance and real estate; community, social and personal services.

(e) Mining and quarrying are included in manufacturing.

(f) Includes basic services.

Table 23

LATIN AMERICA: VARIATIONS IN EXPORTS AND IMPORTS OF GOODS  
(Growth rates)

| Exports                            |       |      |        |      |            |      | Imports |      |        |      |            |
|------------------------------------|-------|------|--------|------|------------|------|---------|------|--------|------|------------|
|                                    | Value |      | Volume |      | Unit value |      | Value   |      | Volume |      | Unit value |
| <u>Latin America</u>               |       |      |        |      |            |      |         |      |        |      |            |
| 1970                               | 9.1   |      | 1.3    |      | 7.7        |      | 13.4    |      | 8.7    |      | 8.3        |
| 1971                               | 2.1   |      | -0.1   |      | 2.3        |      | 11.1    |      | 5.8    |      | 5.0        |
| 1972                               | 15.8  |      | 6.4    |      | 8.9        |      | 14.2    |      | 8.1    |      | 5.7        |
| 1973                               | 42.4  |      | 8.0    |      | 31.8       |      | 30.7    |      | 11.6   |      | 17.2       |
| 1974                               | 60.3  |      | -1.2   |      | 62.3       |      | 72.0    |      | 21.9   |      | 41.1       |
| 1975                               | -7.3  |      | -3.6   |      | -3.9       |      | 6.5     |      | -2.8   |      | 9.6        |
| 1976                               | 15.5  |      | 7.8    |      | 7.1        |      | 3.6     |      | -1.6   |      | 5.3        |
| 1977                               | 18.1  |      | 8.4    |      | 8.9        |      | 13.7    |      | 7.0    |      | 6.3        |
| 1978                               | 7.4   |      | 11.4   |      | -3.6       |      | 11.5    |      | 4.2    |      | 7.1        |
| 1979(a)                            | 33.5  |      | 10.9   |      | 20.4       |      | 26.4    |      | 9.9    |      | 15.0       |
| <u>Oil-exporting countries</u>     |       |      |        |      |            |      |         |      |        |      |            |
| 1970                               | 5.0   |      | 2.2    |      | 2.7        |      | 6.5     |      | 1.9    |      | 4.5        |
| 1971                               | 14.9  |      | -2.7   |      | 18.1       |      | 13.9    |      | 7.6    |      | 5.8        |
| 1972                               | 5.2   |      | 1.5    |      | 3.7        |      | 13.8    |      | 7.1    |      | 6.2        |
| 1973                               | 46.9  |      | 6.7    |      | 37.6       |      | 16.9    |      | 0.5    |      | 16.4       |
| 1974                               | 140.2 |      | -8.2   |      | 161.6      |      | 70.9    |      | 25.3   |      | 36.4       |
| 1975                               | -18.1 | (b)  | -20.7  | (b)  | 3.3        | (b)  | 22.8    | (c)  | 11.8   | (c)  | 9.9        |
| 1976                               | 10.0  | 11.1 | 4.6    | 3.7  | 5.1        | 7.1  | 27.7    | 12.3 | 17.8   | 4.3  | 8.4        |
| 1977                               | 3.7   | 9.5  | -7.0   | 3.2  | 11.4       | 6.2  | 31.3    | 19.4 | 22.1   | 11.5 | 7.6        |
| 1978                               | -3.1  | 7.6  | -1.9   | 15.1 | -1.2       | -6.5 | 6.8     | 15.9 | -2.5   | 7.7  | 9.5        |
| 1979(a)                            | 45.9  | 45.9 | 1.7    | 7.8  | 43.5       | 35.3 | 1.1     | 17.5 | -7.2   | 8.7  | 8.9        |
| <u>Non-oil-exporting countries</u> |       |      |        |      |            |      |         |      |        |      |            |
| 1970                               | 10.5  |      | 1.0    |      | 9.4        |      | 15.1    |      | 10.8   |      | 8.3        |
| 1971                               | -1.8  |      | 0.8    |      | -2.6       |      | 10.4    |      | 5.3    |      | 4.8        |
| 1972                               | 19.7  |      | 7.9    |      | 11.0       |      | 14.3    |      | 8.3    |      | 5.5        |
| 1973                               | 41.0  |      | 8.4    |      | 30.0       |      | 34.0    |      | 14.2   |      | 17.4       |
| 1974                               | 33.3  |      | 0.7    |      | 32.3       |      | 72.3    |      | 21.3   |      | 42.1       |
| 1975                               | -0.8  | (b)  | 0.8    | (b)  | -1.6       | (b)  | 3.1     | (c)  | -6.0   | (c)  | 9.7        |
| 1976                               | 18.2  | 18.6 | 8.4    | 9.3  | 9.0        | 8.5  | -2.3    | -1.0 | -6.6   | -5.2 | 4.5        |
| 1977                               | 24.8  | 23.8 | 11.4   | 10.3 | 12.0       | 12.3 | 8.0     | 10.2 | 2.1    | 4.0  | 5.8        |
| 1978                               | 11.5  | 7.3  | 13.6   | 10.2 | -1.8       | -2.7 | 13.4    | 8.7  | 6.7    | 1.7  | 6.2        |
| 1979(a)                            | 29.3  | 26.1 | 12.1   | 11.9 | 15.3       | 12.7 | 35.8    | 32.6 | 15.9   | 10.8 | 17.2       |

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) As of 1976, including Mexico.

(c) As of 1976, excluding Mexico

Table 24

LATIN AMERICA: VARIATIONS IN EXPORTS OF GOODS  
(Growth rates)

|                                    | Value |       |          | Volume |       |          | Unit value |       |          | Purchasing power |       |          |
|------------------------------------|-------|-------|----------|--------|-------|----------|------------|-------|----------|------------------|-------|----------|
|                                    | 1977  | 1978  | 1979 (a) | 1977   | 1978  | 1979 (a) | 1977       | 1978  | 1979 (a) | 1977             | 1978  | 1979 (a) |
| <b>Latin America</b>               | 18.1  | 7.4   | 33.5     | 8.4    | 11.4  | 10.9     | 8.9        | -3.6  | 20.4     | 9.9              | 4.6   | 16.5     |
| <b>Oil-exporting countries</b>     | 9.5   | 7.6   | 45.9     | 3.1    | 15.1  | 7.8      | 6.2        | -6.5  | 35.3     | 1.9              | 7.6   | 28.1     |
| Bolivia                            | 14.4  | -2.6  | 21.5     | -2.5   | -12.6 | -10.7    | 17.4       | 11.4  | 36.0     | 3.5              | -8.1  | 3.7      |
| Ecuador                            | 7.2   | 9.4   | 39.9     | -10.3  | 17.4  | -3.5     | 19.5       | -6.9  | 45.0     | 3.2              | 1.6   | 22.8     |
| Mexico                             | 32.4  | 40.3  | 45.9     | 20.4   | 37.6  | 13.6     | 10.0       | 2.0   | 28.4     | 8.1              | 32.7  | 24.6     |
| Trinidad and Tobago                | 0.2   | -2.5  | 17.7     | -5.4   | -2.5  | -0.2     | 6.0        | -     | 17.9     | 3.4              | -10.1 | 6.1      |
| Venezuela                          | 3.4   | -5.0  | 55.8     | -7.1   | -5.0  | 6.0      | 11.4       | -     | 47.0     | -3.8             | -9.4  | 40.5     |
| <b>Non-oil-exporting countries</b> | 23.8  | 7.3   | 26.1     | 10.3   | 10.2  | 11.9     | 12.3       | -2.7  | 12.7     | 15.8             | 2.6   | 8.4      |
| Argentina                          | 44.2  | 13.3  | 21.9     | 48.2   | 5.2   | 4.4      | -2.7       | 7.7   | 16.8     | 27.5             | 12.1  | 5.2      |
| Barbados                           | 19.4  | 22.2  | 34.3     | 19.6   | 16.4  | 19.8     | -0.2       | 5.0   | 12.0     | 18.9             | 12.2  | 6.7      |
| Brazil                             | 19.6  | 4.4   | 22.4     | 7.2    | 12.2  | 11.3     | 11.6       | -7.0  | 10.0     | 16.4             | -1.2  | 4.4      |
| Colombia                           | 21.0  | 18.1  | 26.1     | -24.1  | 38.1  | 32.7     | 59.4       | -14.5 | -5.0     | 12.3             | 6.8   | 9.9      |
| Costa Rica                         | 39.7  | 3.7   | 8.2      | 9.3    | 11.1  | 3.7      | 27.8       | -6.7  | 4.4      | 27.1             | -1.1  | -4.1     |
| Chile                              | 4.4   | 13.3  | 54.7     | 4.9    | 7.9   | 18.2     | -0.5       | 4.9   | 30.9     | 1.7              | 11.1  | 22.4     |
| El Salvador                        | 30.6  | -13.0 | 34.1     | -3.2   | 2.3   | 38.2     | 35.0       | -14.9 | -3.0     | 22.2             | -14.3 | 14.6     |
| Guatemala                          | 51.9  | -5.1  | 5.9      | 12.6   | -1.7  | 4.9      | 34.9       | -3.5  | 1.0      | 33.4             | -8.9  | -8.9     |
| Guyana                             | -7.2  | 13.9  | -1.8     | -13.6  | 2.4   | -3.7     | 7.5        | 11.2  | 2.0      | -12.6            | 9.6   | -10.5    |
| Haiti                              | 24.0  | 13.8  | -10.1    | -24.5  | 10.4  | -11.8    | 64.1       | 3.1   | 2.0      | 16.7             | 10.7  | -12.5    |
| Honduras                           | 28.7  | 18.2  | 19.8     | 2.9    | 16.8  | 11.5     | 25.0       | 1.2   | 7.4      | 16.2             | 12.5  | 10.6     |
| Jamaica                            | 15.2  | 1.7   | 3.5      | 8.7    | 1.7   | -4.2     | 6.0        | -     | 8.1      | -1.4             | -2.8  | -5.0     |
| Nicaragua                          | 17.4  | 1.6   | -12.2    | -17.1  | 6.8   | -14.5    | 41.6       | -4.9  | 2.7      | 9.4              | -1.9  | -26.0    |
| Panama                             | 6.7   | 2.7   | 13.3     | 3.6    | 7.0   | 5.8      | 3.0        | -4.1  | 7.2      | 2.2              | -0.1  | -0.5     |
| Paraguay                           | 62.3  | 8.0   | 18.8     | 20.4   | 18.5  | 11.1     | 34.8       | -8.9  | 6.9      | 52.2             | 10.2  | 0.8      |
| Peru                               | 26.8  | 12.0  | 79.7     | 23.0   | 17.7  | 20.8     | 3.1        | -4.8  | 48.7     | 14.9             | 5.2   | 50.4     |
| Dominican Republic                 | 8.9   | -13.4 | 32.2     | -1.1   | -10.8 | 5.4      | 10.2       | -3.0  | 14.6     | 2.4              | -16.6 | 21.8     |
| Uruguay                            | 8.2   | 12.2  | 14.9     | -0.9   | 5.5   | 5.2      | 9.2        | 6.4   | 21.1     | 14.8             | -1.9  | 4.1      |

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 25

LATIN AMERICA: VARIATIONS IN IMPORTS OF GOODS  
(Growth rates)

|                             | Value |       |             | Volume |       |             | Unit value |      |             |
|-----------------------------|-------|-------|-------------|--------|-------|-------------|------------|------|-------------|
|                             | 1977  | 1978  | 1979<br>(a) | 1977   | 1978  | 1979<br>(a) | 1977       | 1978 | 1979<br>(a) |
| Latin America               | 13.7  | 11.5  | 26.4        | 7.0    | 4.2   | 9.9         | 6.3        | 7.1  | 15.0        |
| Oil-exporting countries     | 19.4  | 15.9  | 17.5        | 11.5   | 7.7   | 8.7         | 7.1        | 7.7  | 8.1         |
| Bolivia                     | 14.5  | 22.7  | 17.8        | 3.2    | 11.5  | -1.3        | 11.0       | 10.0 | 19.4        |
| Ecuador                     | 29.8  | -3.3  | 25.1        | 18.1   | -7.9  | 8.7         | 10.0       | 4.9  | 15.1        |
| Mexico                      | -2.5  | 38.7  | 49.1        | 5.4    | 28.5  | 33.4        | 3.0        | 8.0  | 11.7        |
| Trinidad and Tobago         | -9.6  | 10.2  | 0.7         | 15.5   | 3.9   | -10.1       | 7.0        | 6.0  | 12.0        |
| Venezuela                   | 43.3  | 6.6   | -2.9        | 30.1   | -3.1  | -10.0       | 10.2       | 10.0 | 7.8         |
| Non-oil-exporting countries | 10.2  | 8.7   | 32.6        | 4.0    | 1.7   | 10.8        | 6.0        | 6.8  | 19.7        |
| Argentina                   | 37.2  | -7.6  | 74.3        | 22.5   | -9.9  | 38.1        | 12.0       | 2.6  | 26.2        |
| Barbados                    | 14.2  | 14.9  | 30.0        | 6.7    | 8.3   | 13.0        | 7.0        | 6.0  | 15.1        |
| Brazil                      | -2.7  | 13.2  | 32.0        | -5.3   | 5.8   | 9.6         | 2.8        | 7.0  | 20.4        |
| Colombia                    | 18.9  | 39.1  | 17.8        | 8.0    | 27.6  | 4.4         | 10.0       | 9.0  | 12.9        |
| Costa Rica                  | 33.0  | 15.2  | 19.2        | 26.3   | 8.8   | 4.5         | 5.3        | 5.9  | 14.0        |
| Chile                       | 37.9  | 29.3  | 40.7        | 24.3   | 19.7  | 15.3        | 10.9       | 8.0  | 22.0        |
| El Salvador                 | 25.8  | 10.7  | 0.6         | 12.3   | 5.4   | -11.8       | 12.0       | 5.0  | 14.0        |
| Guatemala                   | 18.9  | 5.8   | 23.5        | 8.8    | -1.2  | 4.7         | 9.3        | 7.1  | 18.0        |
| Guyana                      | -13.4 | -11.6 | 15.6        | 18.3   | -15.8 | 4.1         | 6.0        | 5.0  | 11.0        |
| Haiti                       | 26.9  | 4.5   | 10.0        | 12.8   | -2.3  | -1.3        | 8.0        | 7.0  | 11.6        |
| Honduras                    | 27.2  | 19.0  | 18.3        | 14.7   | 13.4  | 10.2        | 10.9       | 4.9  | 7.3         |
| Jamaica                     | -15.7 | 12.6  | 14.4        | -20.5  | 5.2   | 2.9         | 6.0        | 7.0  | 11.1        |
| Nicaragua                   | 45.2  | -21.4 | -39.4       | 36.6   | -28.6 | -47.2       | 6.3        | 10.0 | 14.6        |
| Panama                      | 1.1   | 8.8   | 28.2        | -3.7   | 2.6   | 6.1         | 5.0        | 6.0  | 20.8        |
| Paraguay                    | 52.4  | 19.9  | 43.5        | 42.3   | 16.6  | 20.8        | 6.8        | 2.9  | 18.8        |
| Peru                        | 3.1   | -26.1 | 30.7        | -3.2   | -31.5 | 11.7        | 6.5        | 8.0  | 17.0        |
| Dominican Republic          | 11.0  | 1.4   | 23.1        | 4.8    | -6.1  | 11.3        | 6.0        | 8.0  | 10.5        |
| Uruguay                     | 26.7  | 4.4   | 60.6        | 15.2   | 1.4   | 30.3        | 10.0       | 3.0  | 23.3        |

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 26

## LATIN AMERICAN OIL-IMPORTING COUNTRIES: IMPORTS OF CRUDE PETROLEUM AND PETROLEUM PRODUCTS

|                    | 1970(a)             |   | 1973                |   | 1974                |   | 1978                |   | 1979(b)             |   |
|--------------------|---------------------|---|---------------------|---|---------------------|---|---------------------|---|---------------------|---|
|                    | Millions of dollars | Percent-<br>age of<br>total<br>imports<br>CIF | Millions of dollars | Percent-<br>age of<br>total<br>imports<br>CIF | Millions of dollars | Percent-<br>age of<br>total<br>imports<br>CIF | Millions of dollars | Percent-<br>age of<br>total<br>imports<br>CIF | Millions of dollars | Percent-<br>age of<br>total<br>imports<br>CIF |
| Argentina          | 80                  | 4.7   | 141                 | 6.3   | 469                 | 12.8  | 472(b)              | 12.3  | 1 135(c)            | 17.0  |
| Barbados           | ...                 | ...   | 19                  | 9.3   | 38                  | 17.6  | 53(a)               | 17.0  | 118(d)              | 28.9  |
| Brazil             | 377                 | 13.2  | 986                 | 14.1  | 3 233               | 22.8  | 4 617               | 30.7  | 6 898               | 35.1  |
| Colombia           | 4                   | 0.5   | 4                   | 0.4   | 3                   | 0.2   | 374                 | 12.8  | 671                 | 15.1  |
| Costa Rica         | 11                  | 3.5   | 30                  | 6.6   | 63                  | 8.8   | 112                 | 9.5   | 186(d)              | 13.2  |
| Chile              | 56                  | 6.0   | 69                  | 6.3   | 246                 | 12.9  | 454                 | 14.4  | 916                 | 20.6  |
| El Salvador        | 5                   | 2.3   | 21                  | 5.6   | 51                  | 9.1   | 80                  | 7.8   | 104(d)              | 10.1  |
| Guatemala          | 15                  | 5.1   | 30                  | 7.0   | 92                  | 13.1  | 168                 | 12.1  | 238                 | 16.5  |
| Guyana             | ...                 | ...   | 15(d)               | 8.6   | 31(d)               | 12.2  | 54(d)               | 19.4  | 82(d)               | 25.5  |
| Haiti              | 4                   | 6.8   | 4(d)                | 4.8   | 11(d)               | 8.8   | 37(d)               | 20.3  | 41(d)               | 21.0  |
| Honduras           | 14                  | 6.3   | 26                  | 9.9   | 63                  | 16.1  | 77                  | 10.6  | 113                 | 13.8  |
| Jamaica            | 27                  | 6.6(d)  | 64                  | 9.6   | 175                 | 18.7  | 230(d)              | 26.4  | 280(d)              | 28.0  |
| Nicaragua          | 11                  | 5.6   | 23                  | 7.0   | 59                  | 10.5  | 89                  | 14.9  | 80                  | 22.2  |
| Panama             | 66                  | 18.5  | 89                  | 18.2  | 274                 | 34.3  | 212                 | 22.5  | 306                 | 27.7  |
| Paraguay           | 7                   | 9.2   | 13                  | 10.7  | 50                  | 25.3  | 84                  | 21.9  | 105                 | 20.0  |
| Peru               | 12                  | 2.0   | 51                  | 5.0   | 116                 | 5.7   | 36                  | 1.8   | 12                  | 0.5   |
| Dominican Republic | 19                  | 6.2   | 47                  | 9.6   | 116                 | 15.0  | 189                 | 18.6  | 280                 | 22.6  |
| Uruguay            | 34                  | 14.6  | 48                  | 1.6   | 151                 | 3.0   | 217                 | 26.2  | 291                 | 23.7  |
| Total              | 742                 | 7.4   | 1 680               | 10.0  | 5 241               | 17.4  | 7 555               | 20.6  | 11 856              | 24.5  |

(a) Imports of fuels and lubricants.

(b) Preliminary figures.

(c) Including coal, coke and briquettes.

(d) Estimates.

Table 27

## LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS AND SERVICES

| Latin America |           |       | Oil-exporting countries |           |       |      | Non-oil-exporting countries |           |      |      |
|---------------|-----------|-------|-------------------------|-----------|-------|------|-----------------------------|-----------|------|------|
| Index         | Variation |       | Index                   | Variation |       |      | Index                       | Variation |      |      |
| 1970          | 100.0     | 3.3   | 100.0                   | -1.8      |       |      | 100.0                       | 4.7       |      |      |
| 1971          | 99.0      | -1.0  | 108.8                   | 8.8       |       |      | 96.5                        | -3.5      |      |      |
| 1972          | 108.8     | 9.8   | 109.4                   | 0.6       |       |      | 108.6                       | 12.6      |      |      |
| 1973          | 132.6     | 21.9  | 142.1                   | 29.9      |       |      | 130.2                       | 19.8      |      |      |
| 1974          | 155.4     | 17.1  | 258.3                   | 81.8      |       |      | 128.4                       | -1.3      |      |      |
| 1975          | 131.4     | -15.4 | 183.0                   | (a)       | -29.2 | (a)  | 117.9                       | (b)       | -8.2 | (b)  |
| 1976          | 142.9     | 8.8   | 187.5                   | 168.3     | 2.4   | 4.4  | 131.3                       | 128.6     | 11.4 | 12.3 |
| 1977          | 157.0     | 9.9   | 184.4                   | 171.4     | -1.6  | 1.9  | 149.9                       | 148.9     | 14.1 | 15.8 |
| 1978          | 164.2     | 4.6   | 169.6                   | 184.4     | -8.0  | 7.6  | 162.8                       | 152.7     | 8.6  | 2.6  |
| 1979(c)       | 191.3     | 16.5  | 222.9                   | 236.5     | 31.4  | 28.2 | 183.0                       | 165.6     | 12.4 | 8.4  |

Source: CEPAL, on the basis of official data.

(a) As of 1976, including Mexico.

(b) As of 1976, excluding Mexico.

Table 28

LATIN AMERICA: TERMS OF TRADE  
(1970 = 100)

| Latin America |           |       | Oil-exporting countries |           |      |      | Non-oil-exporting countries |           |       |      |
|---------------|-----------|-------|-------------------------|-----------|------|------|-----------------------------|-----------|-------|------|
| Index         | Variation |       | Index                   | Variation |      |      | Index                       | Variation |       |      |
| 1970          | 100.0     | 3.3   | 100.0                   | -1.7      |      |      | 100.0                       | 4.9       |       |      |
| 1971          | 97.4      | -2.6  | 111.6                   | 11.6      |      |      | 92.9                        | -7.1      |       |      |
| 1972          | 100.3     | 3.0   | 108.9                   | -2.4      |      |      | 97.8                        | 5.2       |       |      |
| 1973          | 112.9     | 12.5  | 128.8                   | 18.2      |      |      | 108.3                       | 10.8      |       |      |
| 1974          | 129.8     | 15.0  | 246.9                   | 91.7      |      |      | 100.9                       | -6.9      |       |      |
| 1975          | 113.9     | -12.3 | 232.1                   | (a)       | -6.0 | (a)  | 90.5                        | (b)       | -10.3 | (b)  |
| 1976          | 115.8     | 1.7   | 225.1                   | 188.8     | -3.0 | -0.5 | 94.4                        | 90.7      | 4.3   | 3.9  |
| 1977          | 118.7     | 2.5   | 233.2                   | 187.2     | 3.6  | -0.8 | 100.0                       | 96.0      | 5.9   | 5.9  |
| 1978          | 106.9     | -10.0 | 210.4                   | 162.6     | -9.8 | 13.2 | 92.4                        | 87.5      | -7.6  | -8.9 |
| 1979(c)       | 111.9     | 4.7   | 277.2                   | 203.5     | 31.8 | 25.2 | 90.9                        | 82.4      | -1.6  | -5.8 |

Source: CEPAL, on the basis of official data.

(a) As of 1976, including Mexico.

(b) As of 1976, excluding Mexico.

(c) Preliminary figures.

Table 29

LATIN AMERICA: TRADE BALANCE  
(Millions of dollars)

|                                    | Exports of goods FOB |        |         | Imports of goods FOB |        |         | Merchandise trade balance |        |         | Net non-factor services |        |         | Trade balance |        |         |
|------------------------------------|----------------------|--------|---------|----------------------|--------|---------|---------------------------|--------|---------|-------------------------|--------|---------|---------------|--------|---------|
|                                    | 1977                 | 1978   | 1979(a) | 1977                 | 1978   | 1979(a) | 1977                      | 1978   | 1979(a) | 1977                    | 1978   | 1979(a) | 1977          | 1978   | 1979(a) |
| <u>Latin America</u>               | 50 318               | 54 048 | 72 155  | 49 831               | 55 579 | 70 263  | 487                       | -1 531 | 1 892   | -3 300                  | -4 383 | -5 925  | -2 813        | -5 914 | -4 033  |
| <u>Oil-exporting countries</u>     | 18 696               | 20 118 | 29 355  | 19 637               | 22 768 | 26 762  | -941                      | -2 650 | 2 593   | -1 064                  | -1 686 | -2 191  | -2 005        | -4 336 | 402     |
| Bolivia                            | 658                  | 641    | 779     | 644                  | 790    | 931     | 14                        | -149   | -152    | -120                    | -148   | -188    | -106          | -297   | -340    |
| Ecuador                            | 1 401                | 1 532  | 2 144   | 1 361                | 1 315  | 1 645   | 40                        | 217    | 499     | -248                    | -210   | -324    | -208          | 7      | 175     |
| Mexico                             | 4 604                | 6 460  | 9 423   | 5 625                | 7 803  | 11 636  | -1 021                    | -1 343 | -2 213  | 1 212                   | 1 329  | 1 296   | 191           | -14    | -917    |
| Trinidad and Tobago                | 2 372                | 2 312  | 2 720   | 1 667                | 1 837  | 1 850   | 705                       | 475    | 870     | 39                      | -29    | -35     | 744           | 446    | 835     |
| Venezuela                          | 9 661                | 9 173  | 14 289  | 10 340               | 11 023 | 10 700  | -679                      | -1 850 | 3 589   | -1 947                  | -2 628 | -2 940  | -2 626        | -4 478 | 649     |
| <u>Non-oil exporting countries</u> | 31 622               | 33 930 | 42 800  | 30 194               | 32 811 | 43 501  | 1 428                     | 1 119  | -701    | -2 236                  | -2 697 | -3 734  | -808          | -1 578 | -4 435  |
| Argentina                          | 5 654                | 6 407  | 7 811   | 3 796                | 3 508  | 6 115   | 1 858                     | 2 899  | 1 696   | 38                      | -159   | -700    | 1 896         | 2 740  | 996     |
| Barbados                           | 91                   | 111    | 149     | 250                  | 288    | 374     | -159                      | -177   | -225    | 106                     | 139    | 163     | -53           | -38    | -62     |
| Brazil                             | 11 925               | 12 450 | 15 244  | 12 023               | 13 607 | 17 961  | -98                       | -1 157 | -2 717  | -1 580                  | -1 718 | -2 342  | -1 678        | -2 875 | -5 059  |
| Colombia                           | 2 727                | 3 221  | 4 062   | 1 979                | 2 753  | 3 248   | 748                       | 468    | 814     | -79                     | -106   | -99     | 669           | 362    | 715     |
| Costa Rica                         | 828                  | 858    | 929     | 925                  | 1 066  | 1 271   | -97                       | -208   | -342    | -70                     | -85    | -110    | -167          | -293   | -452    |
| Chile                              | 2 180                | 2 469  | 3 821   | 1 967                | 2 544  | 3 579   | 213                       | -75    | 242     | -381                    | -425   | -532    | -168          | -500   | -290    |
| El Salvador                        | 972                  | 846    | 1 134   | 860                  | 952    | 957     | 112                       | -106   | 177     | -92                     | -128   | -168    | 20            | -234   | 9       |
| Guatemala                          | 1 192                | 1 130  | 1 197   | 1 141                | 1 207  | 1 491   | 51                        | -77    | -294    | -141                    | -219   | -152    | -90           | -296   | -446    |
| Guyana                             | 259                  | 296    | 290     | 287                  | 254    | 293     | -28                       | 42     | -3      | -44                     | -43    | -49     | -72           | -1     | -52     |
| Haiti                              | 138                  | 157    | 141     | 200                  | 209    | 230     | -62                       | -52    | -89     | -26                     | -43    | -39     | -88           | -95    | -128    |
| Honduras                           | 530                  | 626    | 750     | 550                  | 655    | 774     | -20                       | -29    | -24     | -54                     | -61    | -71     | -74           | -90    | -95     |
| Jamaica                            | 760                  | 773    | 800     | 667                  | 751    | 859     | 93                        | 22     | -59     | -43                     | -29    | -35     | 50            | -7     | -94     |
| Nicaragua                          | 636                  | 646    | 567     | 704                  | 553    | 335     | -68                       | 93     | 232     | -57                     | -34    | -92     | -125          | 59     | 140     |
| Panama                             | 287                  | 295    | 334     | 792                  | 862    | 1 105   | -505                      | -567   | -771    | 401                     | 418    | 514     | -104          | -149   | -257    |
| Paraguay                           | 324                  | 350    | 416     | 360                  | 432    | 620     | -36                       | -82    | -204    | -11                     | -24    | -59     | -47           | -106   | -263    |
| Peru                               | 1 726                | 1 933  | 3 474   | 2 165                | 1 600  | 2 091   | -439                      | 333    | 1 383   | -113                    | -11    | 7       | -552          | 322    | 1 440   |
| Dominican Republic                 | 781                  | 676    | 893     | 848                  | 860    | 1 058   | -67                       | -184   | -165    | -122                    | -135   | -127    | -189          | -319   | -292    |
| Uruguay                            | 612                  | 686    | 788     | 680                  | 710    | 1 140   | -68                       | -24    | -352    | 32                      | -34    | 107     | -36           | -58    | -245    |

Source: 1977-1978: International Monetary Fund, Balance of Payments Yearbook, vol. 30; 1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 30

LATIN AMERICA: BALANCE OF PAYMENTS  
(Millions of dollars)

|                             | Trade balance |        |         | Net payments of profits and interest |         |         | Balance on current account (b) |         |         | Movement of capital |        |         | Balance of payments position before compensation |        |         |
|-----------------------------|---------------|--------|---------|--------------------------------------|---------|---------|--------------------------------|---------|---------|---------------------|--------|---------|--|--------|---------|
|                             | 1977          | 1978   | 1979(a) | 1977                                 | 1978    | 1979(a) | 1977                           | 1978    | 1979(a) | 1977                | 1978   | 1979(a) | 1977   | 1978   | 1979(a) |
| Latin America               | -2 813        | -5 914 | -4 033  | -8 676                               | -10 627 | -14 761 | -11 217                        | -16 329 | -18 317 | 15 536              | 22 370 | 25 460  | 4 319  | 6 041  | 7 143   |
| Oil exporting countries     | -2 005        | -4 336 | 402     | -2 852                               | -3 574  | -4 979  | -4 925                         | -8 217  | -4 831  | 5 680               | 6 930  | 6 734   | 755  | -1 287 | 1 903   |
| Bolivia                     | -106          | -297   | -340    | -67                                  | -114    | -181    | -171                           | -405    | -474    | 241                 | 352    | 343     | 70   | -53    | -131    |
| Ecuador                     | -208          | 7      | 175     | -170                                 | -202    | -500    | -371                           | -195    | -325    | 492                 | 186    | 422     | 121  | -9     | 97      |
| Mexico                      | 191           | -14    | -917    | -1 982                               | -2 527  | -3 548  | -1 623                         | -2 343  | -4 247  | 1 958               | 2 691  | 4 601   | 335  | 348    | 354     |
| Trinidad and Tobago         | 744           | 446    | 835     | -440                                 | -370    | -400    | 288                            | 56      | 415     | 156                 | 265    | -82     | 444  | 321    | 333     |
| Venezuela                   | -2 626        | -4 478 | 649     | -193                                 | -361    | -350    | -3 048                         | -5 330  | -200    | 2 833               | 3 436  | 1 450   | -215   | -1 894 | 1 250   |
| Non-oil-exporting countries | -808          | -1 578 | -4 435  | -5 824                               | -7 053  | -9 782  | -6 292                         | -8 112  | -13 486 | 9 856               | 15 440 | 18 726  | 3 564  | 7 328  | 5 240   |
| Argentina                   | 1 896         | 2 740  | 996     | -578                                 | -711    | -1 542  | 1 351                          | 2 077   | -511    | 366                 | -119   | 4 932   | 1 717  | 1 958  | 4 421   |
| Barbados                    | -53           | -38    | -62     | -9                                   | -10     | -12     | -47                            | -31     | -57     | 53                  | 54     | 63      | 6  | 23     | 6       |
| Brazil                      | -1 678        | -2 875 | -5 059  | -3 431                               | -4 232  | -5 438  | -5 114                         | -7 038  | -10 450 | 5 514               | 10 996 | 7 590   | 400  | 3 958  | -2 860  |
| Colombia                    | 669           | 362    | 715     | -273                                 | -260    | -244    | 448                            | -160    | 524     | 138                 | 368    | 738     | 586  | 528    | 1 262   |
| Costa Rica                  | -167          | -293   | -452    | -74                                  | -96     | -141    | -226                           | -372    | -579    | 322                 | 347    | 504     | 96   | -25    | -75     |
| Chile                       | -168          | -500   | -290    | -358                                 | -445    | -698    | -513                           | -888    | -894    | 646                 | 1 512  | 1 942   | 133  | 624    | 1 048   |
| El Salvador                 | 20            | -234   | 9       | -43                                  | -61     | -55     | 8                              | -249    | 10      | 36                  | 284    | -118    | 44   | 35     | -108    |
| Guatemala                   | -90           | -296   | -446    | -63                                  | -25     | -13     | -59                            | -207    | -329    | 241                 | 275    | 304     | 182  | 68     | -25     |
| Guyana                      | -72           | -1     | -52     | -21                                  | -21     | -25     | -95                            | -28     | -82     | 89                  | 56     | 39      | -6   | 28     | -43     |
| Haiti                       | -88           | -95    | -128    | -12                                  | -15     | -14     | -69                            | -81     | -110    | 81                  | 94     | 126     | 12   | 13     | 16      |
| Honduras                    | -74           | -90    | -95     | -69                                  | -86     | -106    | -138                           | -170    | -192    | 204                 | 179    | 207     | 66   | 9      | 15      |
| Jamaica                     | 50            | -7     | -94     | -138                                 | -152    | -161    | -73                            | -143    | -240    | 69                  | 59     | 80      | -4   | -84    | -160    |
| Nicaragua                   | -125          | 59     | 140     | -69                                  | -94     | -56     | -192                           | -33     | 84      | 196                 | -55    | -136    | 4  | -88    | -52     |
| Panama                      | -104          | -149   | -257    | -55                                  | -60     | -80     | -170                           | -224    | -349    | 163                 | 305    | 328     | -7   | 81     | -21     |
| Paraguay                    | -47           | -106   | -263    | -16                                  | -24     | -35     | -64                            | -130    | -298    | 171                 | 310    | 465     | 107  | 180    | 167     |
| Peru                        | -552          | 322    | 1 440   | -424                                 | -576    | -915    | -971                           | -252    | 647     | 1 012               | 148    | 925     | 41   | -104   | 1 572   |
| Dominican Republic          | -189          | -319   | -292    | -123                                 | -108    | -181    | -266                           | -376    | -355    | 275                 | 365    | 364     | 9  | -11    | 9       |
| Uruguay                     | -36           | -58    | -245    | -68                                  | -77     | -66     | -102                           | -127    | -305    | 280                 | 262    | 373     | 178  | 135    | 68      |

Source: 1977-1978: International Monetary Fund, *Balance of Payments Yearbook*, vol. 30; 1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including net private transfer payments.

Table 31

LATIN AMERICA: EVOLUTION OF GROSS INTERNATIONAL RESERVES  
(Millions of dollars)

|                                    | At end of year |               |               |               |               | Growth rates |             |              |             |
|------------------------------------|----------------|---------------|---------------|---------------|---------------|--------------|-------------|--------------|-------------|
|                                    | 1975           | 1976          | 1977          | 1978          | 1979          | 1976         | 1977        | 1978         | 1979        |
| <u>Latin America</u>               | <u>17 445</u>  | <u>22 399</u> | <u>26 974</u> | <u>33 856</u> | <u>40 861</u> | <u>28.4</u>  | <u>20.4</u> | <u>25.5</u>  | <u>20.7</u> |
| <u>Oil-exporting countries</u>     | <u>10 948</u>  | <u>10 976</u> | <u>11 731</u> | <u>10 522</u> | <u>12 400</u> | <u>0.3</u>   | <u>6.9</u>  | <u>-10.3</u> | <u>17.8</u> |
| Bolivia                            | 140            | 151           | 211           | 170           | 178           | 7.9          | 39.7        | -19.4        | 4.7         |
| Ecuador                            | 270            | 499           | 654           | 670           | 767           | 84.8         | 31.1        | 2.4          | 14.5        |
| Mexico                             | 1 384          | 1 188         | 1 649         | 1 842         | 2 033         | -14.2        | 38.8        | 11.7         | 10.4        |
| Trinidad and Tobago                | 751            | 1 014         | 1 482         | 1 805         | 2 138         | 35.0         | 46.2        | 21.8         | 18.4        |
| Venezuela                          | 8 403          | 8 124         | 7 735         | 6 035         | 7 284         | -3.3         | -4.8        | -22.0        | 20.7        |
| <u>Non-oil-exporting countries</u> | <u>6 497</u>   | <u>11 423</u> | <u>15 243</u> | <u>23 334</u> | <u>28 461</u> | <u>75.8</u>  | <u>33.4</u> | <u>53.1</u>  | <u>22.0</u> |
| Argentina                          | 288            | 1 445         | 3 154         | 4 967         | 9 388         | 401.7        | 118.3       | 57.3         | 89.0        |
| Barbados                           | 40             | 28            | 37            | 60            | 66            | -30.0        | 32.1        | 62.2         | 10.0        |
| Brazil                             | 3 980          | 6 488         | 7 192         | 11 826        | 8 966         | 63.0         | 10.9        | 64.4         | -24.2       |
| Colombia                           | 475            | 1 101         | 1 747         | 2 366         | 3 844         | 131.8        | 58.7        | 35.4         | 62.5        |
| Costa Rica                         | 49             | 95            | 190           | 194           | 119           | 93.9         | 100.0       | 2.1          | -38.7       |
| Chile                              | 56             | 405           | 427           | 1 090         | 1 938         | 623.2        | 5.4         | 155.3        | 77.8        |
| El Salvador                        | 107            | 185           | 211           | 268           | 140           | 72.9         | 14.1        | 27.0         | -47.8       |
| Guatemala                          | 284            | 491           | 669           | 742           | 696           | 72.9         | 36.3        | 10.9         | -6.2        |
| Guyana                             | 100            | 27            | 23            | 58            | 18            | -73.0        | -14.8       | 152.2        | -74.1       |
| Haiti                              | 12             | 28            | 34            | 39            | 55            | 133.3        | 21.4        | 14.7         | 41.0        |
| Honduras                           | 97             | 131           | 180           | 184           | 209           | 35.1         | 37.4        | 2.2          | 13.6        |
| Jamaica                            | 126            | 32            | 48            | 59            | 69            | -74.6        | 50.0        | 22.9         | 16.9        |
| Nicaragua                          | 122            | 146           | 148           | 51            | 85(a)         | 19.7         | 1.4         | -65.5        | 66.6        |
| Panama                             | 34             | 79            | 71            | 150           | 119           | 132.4        | -10.1       | 111.3        | -20.7       |
| Paraguay                           | 115            | 158           | 268           | 449           | 609           | 37.4         | 69.6        | 67.5         | 35.6        |
| Peru                               | 426            | 289           | 357           | 390           | 1 520         | -32.2        | 23.5        | 9.2          | 289.7       |
| Dominican Republic                 | 113            | 124           | 180           | 154           | 239           | 9.7          | 45.2        | -14.4        | 55.2        |
| Uruguay                            | 73             | 171           | 307           | 287           | 381           | 134.2        | 79.5        | -6.5         | 32.8        |

Source: International Monetary Fund, International Financial Statistics, June 1980.

(a) At the end of November.



Table 32

**LATIN AMERICA: VARIATIONS IN CONSUMER PRICES**  
(December - December)

|  | 1970        | 1971        | 1972        | 1973        | 1974        | 1975        | 1976        | 1977        | 1978        | 1979        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Countries with high inflation</b>     | 14.4        | 15.4        | 24.5        | 42.2        | 45.6        | 72.0        | 77.6        | 49.8        | 47.5        | 63.3        |
| Argentina                                | 21.6        | 39.1        | 64.2        | 43.9        | 40.1        | 334.9       | 347.5       | 160.4       | 169.8       | 139.7       |
| Brazil                                   | 17.7        | 18.1        | 14.0        | 13.7        | 33.8        | 31.2        | 44.8        | 43.1        | 38.1        | 76.0        |
| Colombia                                 | 3.5         | 14.1        | 14.0        | 25.0        | 26.9        | 17.9        | 25.9        | 29.3        | 17.8        | 29.8        |
| Chile                                    | 34.9        | 22.1        | 163.4       | 508.1       | 375.9       | 340.7       | 174.3       | 63.5        | 30.3        | 38.9        |
| Mexico                                   | 7.8         | -0.8        | 5.6         | 21.3        | 20.6        | 11.3        | 27.2        | 20.7        | 16.2        | 20.0        |
| Peru                                     | 5.7         | 7.7         | 4.3         | 13.8        | 19.2        | 24.0        | 44.7        | 32.4        | 73.7        | 66.7        |
| Uruguay                                  | 19.3        | 35.6        | 94.7        | 77.5        | 107.2       | 66.8        | 39.9        | 57.3        | 46.0        | 83.1        |
| <b>Countries with moderate inflation</b> | 2.8         | 4.8         | 7.4         | 15.1        | 19.9        | 10.3        | 7.7         | 8.3         | 10.2        | 22.0        |
| Barbados                                 | 9.2         | 10.1        | 10.4        | 26.0        | 36.6        | 12.3        | 3.9         | 9.9         | 11.3        | 16.8        |
| Bolivia                                  | 3.8         | 3.3         | 23.6        | 34.8        | 39.0        | 6.0         | 5.5         | 10.5        | 13.5        | 45.5        |
| Costa Rica                               | 4.3         | 1.9         | 6.9         | 15.9        | 30.6        | 20.5        | 4.4         | 5.3         | 8.1         | 13.2        |
| Ecuador                                  | 8.0         | 6.8         | 6.9         | 20.6        | 21.2        | 13.2        | 13.1        | 9.8         | 11.8        | 9.0         |
| El Salvador                              | 1.0         | -0.6        | 5.2         | 7.9         | 21.0        | 15.1        | 5.2         | 14.9        | 14.6        | 14.8        |
| Guatemala                                | 1.0         | 0.3         | 1.1         | 17.5        | 27.5        | 0.8         | 18.9        | 7.4         | 9.1         | 13.7        |
| Guyana                                   | 2.4         | 1.4         | 7.1         | 15.2        | 11.6        | 5.5         | 9.2         | 9.0         | 20.0        | 15.4(a)     |
| Haiti                                    | -0.7        | 13.3        | 7.3         | 20.8        | 19.5        | 19.9        | -0.1        | -1.4        | 5.5         | 15.4        |
| Honduras                                 | 1.4         | 1.5         | 6.8         | 5.1         | 13.0        | 7.8         | 5.6         | 7.7         | 5.4         | 18.9        |
| Jamaica                                  | 7.5         | 5.2         | 9.3         | 9.6         | 20.6        | 15.7        | 8.3         | 14.1        | 49.4        | 18.1        |
| Nicaragua                                |             |             |             |             |             | 1.9         | 6.2         | 10.2        | 4.3         | 70.3        |
| Panama                                   | 2.5         | 1.0         | 6.7         | 9.7         | 16.7        | 1.4         | 4.8         | 4.8         | 5.0         | 10.0        |
| Paraguay                                 | 2.3         | 6.3         | 9.5         | 14.1        | 22.0        | 8.7         | 3.4         | 9.4         | 16.8        | 35.7        |
| Dominican Republic                       | -1.3        | 10.6        | 8.0         | 17.2        | 10.5        | 16.5        | 7.0         | 8.5         | 1.8         | 26.2        |
| Trinidad and Tobago                      | 3.3         | 5.0         | 8.0         | 24.4        | 18.6        | 13.4        | 12.0        | 11.4        | 8.8         | 19.5        |
| Venezuela                                | 3.4         | 3.0         | 3.5         | 5.1         | 11.6        | 8.0         | 6.9         | 8.1         | 7.0         | 20.7        |
| <b>Latin America</b>                     | <b>12.2</b> | <b>13.3</b> | <b>21.2</b> | <b>37.0</b> | <b>40.7</b> | <b>59.9</b> | <b>63.9</b> | <b>41.7</b> | <b>40.2</b> | <b>55.2</b> |

Source: International Monetary Fund, International Financial Statistics, April 1980 and official data supplied by the countries.

(a) Variation November 1978 - November 1979.

(b) The totals for Latin America and the partial totals for groups of countries correspond to the average variations for the countries weighted by their population in 1970.

Table 33

LATIN AMERICA: PRICES OF IMPORTS AND EXPORTS OF GOODS  
(Growth rates)

|  | Imports |      |      |      |      |      | Exports |       |       |      |       |      |
|--|---------|------|------|------|------|------|---------|-------|-------|------|-------|------|
|  | 1974    | 1975 | 1976 | 1977 | 1978 | 1979 | 1974    | 1975  | 1976  | 1977 | 1978  | 1979 |
| <u>Countries with high inflation</u>     | 46.2    | 8.9  | 4.5  | 5.1  | 6.3  | 18.9 | 28.1    | -6.9  | 11.2  | 9.7  | -1.2  | 17.4 |
| Argentina                                | 46.9    | 14.1 | 4.7  | 12.0 | 2.6  | 26.2 | 28.2    | -8.5  | -7.3  | -2.7 | 7.7   | 16.8 |
| Brazil                                   | 52.9    | 6.8  | 6.2  | 2.8  | 7.0  | 20.4 | 30.0    | 0.3   | 15.4  | 11.6 | -7.0  | 10.0 |
| Colombia                                 | 32.4    | 10.9 | 1.1  | 10.0 | 9.0  | 12.9 | 19.9    | -5.8  | 46.6  | 59.4 | -14.5 | -5.0 |
| Chile                                    | 32.5    | 20.2 | 2.0  | 10.9 | 8.0  | 22.0 | 40.0    | -27.3 | 9.5   | -0.5 | 4.9   | 30.9 |
| Mexico                                   | 30.1    | 9.0  | 4.0  | 3.0  | 8.0  | 11.7 | 42.3    | 3.3   | 13.0  | 10.0 | 2.0   | 28.4 |
| Peru                                     | 24.0    | 12.0 | 2.0  | 6.5  | 8.0  | 17.0 | 46.7    | -9.8  | -0.1  | 3.1  | -4.8  | 48.7 |
| Uruguay                                  | 85.3    | 7.5  | 5.9  | 10.0 | 3.0  | 23.3 | -2.2    | 13.6  | 1.2   | 9.2  | 6.4   | 21.2 |
| <u>Countries with moderate inflation</u> | 38.3    | 10.9 | 7.1  | 7.6  | 8.2  | 12.3 | 116.6   | 2.8   | 3.7   | 12.9 | -3.1  | 28.3 |
| Barbados                                 | 32.7    | 11.9 | 3.0  | 7.0  | 6.0  | 15.1 | 77.1    | 39.0  | -40.0 | -0.1 | 5.0   | 12.0 |
| Bolivia                                  | 24.3    | 13.0 | 4.1  | 11.0 | 10.0 | 19.4 | 98.4    | -10.2 | 6.3   | 17.4 | 11.4  | 36.0 |
| Costa Rica                               | 37.0    | 9.5  | -4.9 | 5.3  | 5.9  | 14.0 | 20.0    | 13.7  | 13.1  | 27.8 | -6.7  | 4.4  |
| Ecuador                                  | 9.9     | 10.3 | 1.7  | 10.0 | 4.9  | 15.1 | 128.3   | -8.6  | 14.6  | 19.5 | -6.9  | 45.0 |
| El Salvador                              | 42.1    | 10.5 | 0.5  | 12.0 | 5.0  | 14.0 | 24.3    | 2.8   | 37.6  | 35.0 | -15.0 | -3.0 |
| Guatemala                                | 42.6    | 12.9 | 7.3  | 9.3  | 7.1  | 18.0 | 20.7    | 11.2  | 16.0  | 34.9 | -3.5  | 1.0  |
| Guyana                                   | 40.0    | 21.5 | 2.0  | 6.0  | 5.0  | 11.0 | 87.3    | 24.5  | -16.7 | 7.5  | 11.2  | 2.0  |
| Haiti                                    | 30.0    | 12.0 | 7.0  | 8.0  | 7.0  | 11.6 | 35.8    | 19.1  | 38.9  | 64.1 | 3.1   | 2.0  |
| Honduras                                 | 28.1    | 13.0 | 8.1  | 10.9 | 4.9  | 7.3  | 31.3    | 7.3   | 17.1  | 25.0 | 1.2   | 7.4  |
| Jamaica                                  | 39.2    | 13.0 | 2.9  | 6.0  | 7.0  | 11.1 | 80.5    | 33.6  | -10.1 | 6.0  | 0.0   | 8.1  |
| Nicaragua                                | 31.8    | 15.0 | 3.4  | 6.3  | 10.0 | 14.6 | 26.1    | -7.1  | 26.1  | 41.6 | -4.9  | 2.7  |
| Panama                                   | 52.8    | 14.9 | 6.1  | 5.0  | 6.0  | 20.8 | 58.8    | 12.5  | -16.6 | 3.0  | -4.1  | 7.2  |
| Paraguay                                 | 47.5    | 12.5 | -4.4 | 6.8  | 2.9  | 18.8 | 30.1    | 0.2   | -0.3  | 34.8 | -8.9  | 6.9  |
| Dominican Republic                       | 27.9    | 13.0 | 5.0  | 6.0  | 8.0  | 15.0 | 44.8    | 58.5  | -29.6 | 10.2 | -3.0  | 14.6 |
| Trinidad and Tobago                      | 121.7   | 11.4 | 5.0  | 7.0  | 6.0  | 12.0 | 198.5   | 9.5   | 6.0   | 6.0  | 0.0   | 17.9 |
| Venezuela                                | 24.2    | 16.0 | 9.0  | 10.2 | 10.0 | 7.8  | 166.7   | 6.8   | 6.0   | 11.4 | 0.0   | 47.0 |
| <u>Latin America</u>                     | 41.1    | 9.4  | 5.4  | 6.2  | 7.0  | 15.0 | 62.3    | -3.9  | 7.1   | 9.0  | -3.6  | 20.3 |